

THE CREDIT MONTHLY

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Connections Must Be Perfect

High Explosives Principle Applied to Our Credit System

By W. R. Stevens

Credit Manager, Hercules Powder Co., Wilmington, Del.

IN view of the highly successful results obtained from our present method of supervising our credits it may be interesting to the 34,500 readers of THE CREDIT MONTHLY to learn something of our system—What we do, and how we do it.

In the first place we are firmly sold on the principle that while a salesman's chief function is to sell, he can render extremely valuable service to the credit department of his organization by timely calls on his tardy customers. On that theory we have built our structure, encouraging him to put forth his best foot in this direction when called upon.

SALESMAN IN CREDIT WORK

A short time ago one of our salesmen in the Pittsburgh district, while making a small town heard rumors that a certain operation in which we were interested was about to fail successfully and move what assets there were in the way of equipment out of the state. He immediately investigated for himself, developed the fact that there was foundation for the rumor and engaged an attorney, who through the usual methods prevented the plan from being carried out. Our account was saved. The salesman used his head. He did not have time to lay the proposition before our nearest branch office and get instructions. His train-

ing pointed out the solution and he acted promptly and wisely.

Another instance of timely assistance on the part of our salesman comes to mind: That of diverting a shipment to prevent loss through insolvency. One of our salesmen overheard a conversation on a train regarding financial troubles of an account he knew was ours: In fact he knew a carload of our material was then rolling to this customer. He arranged with the agent not to make delivery to the original consignee, found a buyer the same day and delivery was effected to the new purchaser without a hitch, all of which was justified by the facts and proved by subsequent happenings to be a good day's work.

Selling Hercules explosives "to the world" obviously calls for the maintenance of highly developed branch office organizations, a large number of which are located throughout this country. Each branch office is under the direct supervision of a manager, the office details being looked after by his right hand man, who holds the title of chief clerk. All billing is done at the branch offices, monthly statements are mailed from them, and all customers' accounts are kept with the loose leaf ledger system. Reports such as invoices, sales sheets, credit sheets, stock records, etc., are all made in duplicate, the originals

being sent to the home office, where they are distributed to the various departments interested and where duplicate ledger accounts are kept for the convenience of the home office credit department.

Therefore, in case of fire resulting in partial or total destruction of the records at any branch office, business could be carried on almost without interruption by having the necessary copies forwarded from the home office. Another distinct advantage of this lies in the fact that the home office, as well as the branches, always has a complete set of up-to-date records, and through this plan, one is kept constantly in touch with the other without confusion.

AVERAGE ACCOUNT LARGE

Our individual sales for the most part involve large amounts; consequently an enormous volume of business is transacted with considerably fewer accounts than would be necessary were our product distributed in small quantities. As a result of this our branch offices are comparatively small and in many instances the chief clerk is assistant to the manager and among other things assists materially in the promotion of the sales end of our business.

Responsibility for the condition of the accounts is centered at each office and practically all questions of credits and collections are handled

locally. Such matters, however, as appear necessary are referred to the home office for recommendation and final decision. In this way the closest kind of touch is kept with a large number of accounts; and the home office, not being burdened with the numerous small details, is left free to concentrate on matters of policy and ways and means of getting the best results from the effort expended at all offices.

INVESTIGATION BY LOCAL OFFICE

When a new account is opened, the same care is exercised and data gathered as if the investigation were conducted by the home office. The salesman plays an important rôle here, for he interviews the customer, has an opportunity to look over the proposition right on the ground, and secures opinions from the references given by the prospect. After this a credit report is made out. This information in the hands of our credit man together with what is secured from the other several well-known sources, enables him to pass intelligently on the risk. Copies of all credit and mercantile reports are later forwarded to the home office, where they are reviewed and placed on file for future reference.

In the large cities our credit men are members of local credit men's associations, thus benefitting by the interchange of credit information, and are supplied with *THE CREDIT MONTHLY* as well as the General Letter issued monthly by the National Association of Credit Men, and a copy of that all-important book we are familiar with, the Credit Man's Diary and Manual of Commercial Laws, may always be found in a conspicuous place on their desks. Extracts from Babson's "Statistical Bulletins" are also furnished at regular intervals. In fact, it is our aim to place at the disposal of our offices all the information of a credit nature that we possibly can, so they may be best equipped to look after the company's interests properly.

GET-TOGETHERS

During the past year "Get-together" meetings were held at the branch offices for the purpose of establishing a clearer idea of the company's business and bringing about a better understanding between the men in the field and those at the home office. Heads of all departments formed the home office delegation to these meetings; the salesmen were all called in; and our entire system and policies were thoroughly explained. Each salesman was given an opportunity to get on his feet and say something and to meet our home office credit manager and see for

himself that the latter was just a regular man like anyone else who attended the meeting and that he was ready and willing to help them in every way possible to get the most out of their "job." This plan proved highly successful and a wonderful benefit to all those attending. It has resulted in still closer co-operation from the salesmen and in the final analysis, additional net profits. A course of study for the salesmen is now being prepared, so they may be even better equipped to market our goods and service. Here at the home office a close check is kept on all the branch office activities and by a system of reporting on the important features, the net results are quickly assimilated at the close of the month's work.

Copies of monthly statements containing items three months or more old are forwarded to the home office with comments as to the status of each account, reciting briefly what steps have been taken to collect and what the prospects appear to be. In addition to this, a monthly analysis of slow accounts (those over sixty days old) is prepared by the branch offices, showing the condition of each account by months. From these reports graphic charts are made at the home office and returned to the branch offices for study. These show sales, collections, outstanding, and slow items and bring home forcefully to the branch office manager and credit man their true condition and monthly progress.

Between the fifth and tenth of the month each salesman advises the office he works under just what the condition is in his territory and just what may be expected.

On the tenth of the month each branch office writes the home office a letter on credits and collections, analyzing its conditions as at the close of the previous month, explaining all decreases, and outlining the prospects for the current month. In this way we are in close touch with all sections of the country and know what to expect.

After all data is received at the Home Office on any month's work, a "Monthly Review of Accounts" is prepared, showing "Sales," "Collections," "Bills Receivable," "Outstanding" (in amount and also its representation in number of days' Sales), and "Total Slow Accounts" and what percentage of the outstanding is represented by the slow items. These consolidated reports are forwarded to each office to indicate respective standings and thus is created a competitive effort to strive for and hold first place.

As explained earlier, all credit reports secured on new accounts are

sent in by the branch offices and filed irrespective of districts. With this, along with duplicate ledgers for each district, copies of all invoices, sales reports, collection reports, and copies of monthly statements indicating the status of each slow account, we are well supplied with data and can intelligently attempt to size up the situation and apply whatever remedy appears to be demanded.

IN HARMONY IS STRENGTH

Our time at the home office is devoted largely to special investigations on the more important accounts, to visits to the large trade and to the branch offices, and to keeping in touch with all who have anything to do with the handling of our accounts. Studies are made of the various problems of each office with a view to a proper and speedy solution, harmony being the strength of our organization.

Our credit department comes under the direct supervision of the treasurer and all correspondence is carried on in his name.

Not being burdened with *the thousand and one details incident to the handling of all accounts at one point*, we are freer to apply ourselves to the big problems which are ever present in a business conducted on such a large scale.

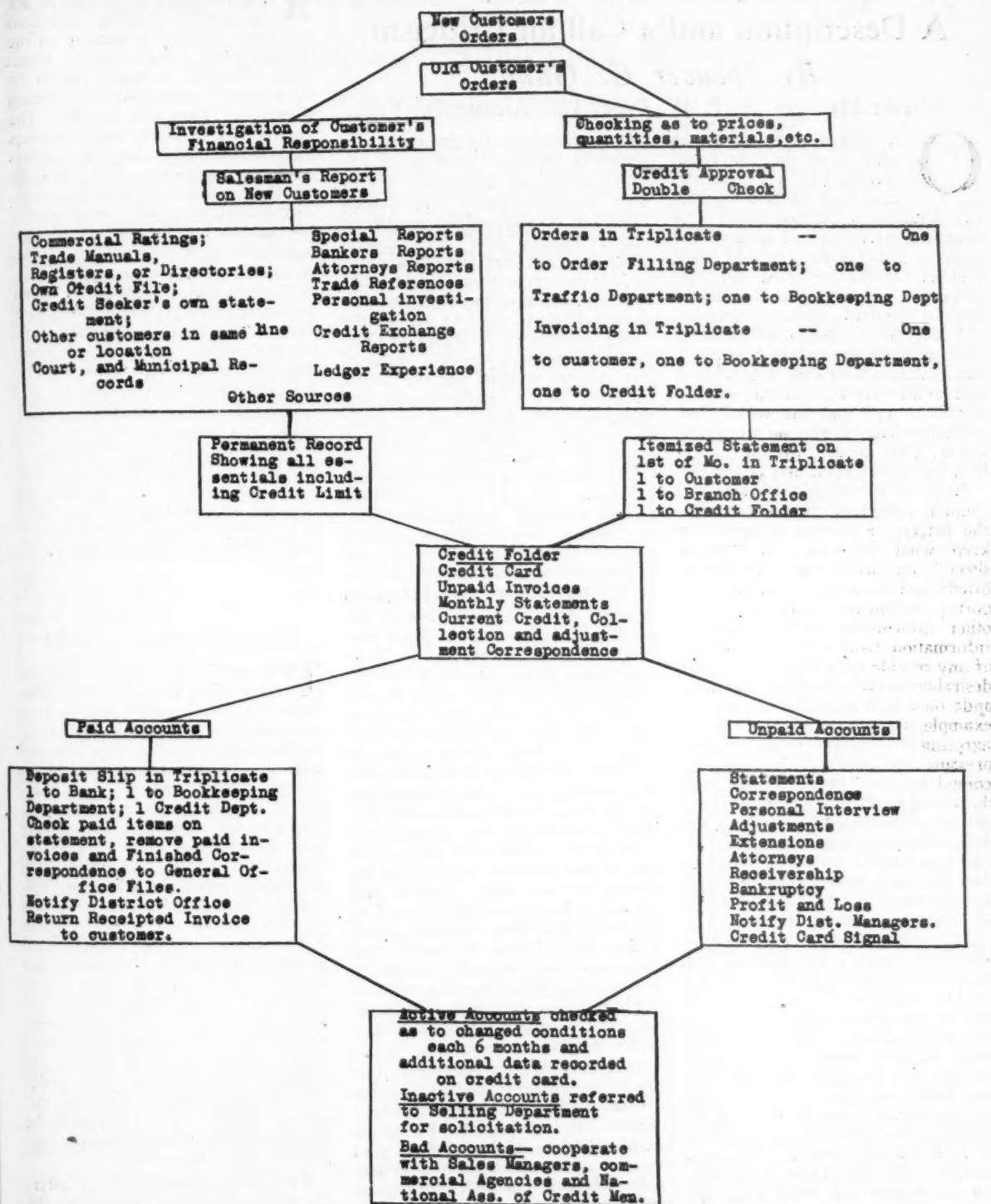
No claim is made as to the system we employ representing absolutely the best in branch office organization and management. After all, it is not nearly so much the system that counts as the degree of efficiency to which it is developed. Our offices all take considerable pride in their accounts, fight "good naturedly" for that coveted first place, and with the kind of home office supervision we aim at there is no chance for interest to slacken.

Silverware Industry Survey

THE Sterling Silverware Manufacturers Association has undertaken a thorough-going survey of its industry, with a view to bringing about an intelligent co-operative effort to increase the output of sterling silver and the turnover by the retailer. The result will be watched with interest.

Trained investigators from the large advertising agency, George Batten Company, Inc., are being employed to make personal investigations among retailers in all sections of the country. The survey will include an investigation from the standpoint of the consumer so that every phase of manufacture, distribution and sale of silverware will be developed.

An Actual Credit Department



THE above chart shows the organization of a well developed and smooth-running credit department. This was described in full by "A. C. Grantor" in the March, 1921, issue

of THE CREDIT MONTHLY, under the title "Our Methods: How the Credit Department Does Its Work."

THE EDITOR.

Credit Department Methods

A Description and a Call for Criticism

By *Spencer C. Gunn*

Credit Manager, A. P. W. Paper Co., Albany, N. Y.

OUR ledger sheet shows, in addition to the debits and credits, (1) terms, ratings and date of last reports; (2) what items are discounted; (3) unearned discounts and what action is taken also the date of our letter (rubber stamps are used for this purpose); (4) a "watch" stamp if account requires special attention; (5) a "threat" stamp with date if such a letter is required; (6) a memorandum with date if account is sent to attorney or concern becomes insolvent; (7) date on which last collection letter comes up to be followed; (8) amount of orders O. K'd but not shipped and posted.

Next to the ledger sheet if account is closed and in a file next to the ledgers if account is open, we keep what we call our "credit sheet" on which we summarize briefly and show date of agency reports; statements, references and other information received direct; information from salesmen; a note of any trouble experienced; and any desirable amplifications of memoranda on ledger account such as, for example, an extract from a letter agreeing to certain terms or expressing preferences. In fact we compile on the "credit sheet" anything and everything which will assist us in intelligently checking orders, following past due items, deciding with regard to action on over due discounts, making drafts, using acceptances, etc., etc., and in doing all this in a minimum of time.

As may be inferred, we refer to the ledger for every order handled and to the credit sheet if there is any need of doing so. We make a pencil note of the amount of the order on the ledger sheet. This is erased when the next order is handled and we find that the previous order has been billed and posted. In this way we can readily figure the total credit including the order in hand, orders O. K'd but not posted and open charges. We also know if the follow-up on past due items is not up to date. We have the present standing of the account, its past performance and all the special information of every nature which would have a bearing on the disposition of the order. Incidentally, if a customer claims to have placed an order which we cannot locate, the ledger shows whether we have had it. This pen-

cil memorandum also guards against errors in billing or posting.

On all orders we stamp a little form which is easily and quickly filled out to show total amount of order, amount past due, amount posted but not due, amount O. K'd but not posted, and total credit. Ratings and habit of payment are also shown. This is the "O. K." of the credit assistant. A stamp of different shape showing also date of last reports is used for the larger credits. On the smaller credits, my personal O. K. shows that the order has passed through my hands. I place the responsibility for these credits as fully as possible upon my assistant. On the larger credits I assume the final responsibility. In my absence, my assistant, being in the habit of making decisions, is able to handle all orders and does so with the greatest skill and good judgment.

In my desk I keep small cards for the larger credits. These show ratings and dates of reports (and in some cases a line or two of tabloid information) as these come in and go through my hands, high credit as I pass an order, and manner of payment as the cash sheets come to my desk. These cards show at once when ratings are changed, discounts passed or a larger credit asked for. They supplement the ledger and credit sheets, often save time which would otherwise be required in referring to the larger records and provide a handy, compact record of the more important accounts which I *live with*. Some of these cards also represent "watch" accounts. It takes very little time to keep these cards up, they constitute a valuable list and record and their possibilities of usefulness are unlimited.

This covers, in a brief way, our credit department methods so far as the checking of orders is concerned. It is a pleasure for us to exchange ideas and we will be glad to clear up or amplify by letter any point which is not fully understood and especially to receive any suggestions or criticisms that may be helpful. We realize that our system is far from perfect, but are very glad to describe it as we believe that this round-table of credit department methods is one of the most helpful features which THE CREDIT MONTHLY has instituted.

Collecting by Telegram

AN experiment in the use of telegrams for speeding collections has been made by a member of the National Association of Credit Men. During a single month he forwarded eighty-seven collection telegrams. They cost him \$60. The results were thirty-two accounts paid immediately, and the debtors made no comments. The aggregate of these payments was \$2,352.99. There were three who responded to the amount of \$217.89 accompanying checks with explanations for delay; two wired that they were remitting; four sent checks dated ahead amounting to \$403.89; thirteen gave definite promises of payment; and the rest—thirty-five—paid no attention to the telegrams. The total result was a collection of \$3,015.

The thirty-five accounts which made no response were at once placed with adjustment bureaus of the National Association of Credit Men for report. This action was justified because four letters to each of the eighty-seven debtors had preceded telegrams but brought no response.

Conversion of a Debt

THE move to convert floating debts into funded form illustrated by the issue of one to four year notes in the amount of forty million dollars against four hundred million pounds of copper sold to the Copper Export Company by a number of copper producing companies, looks in the right direction during this readjustment period. This accumulation of copper, resulting from the sudden change in conditions following the close of the war, was bearing heavily upon the available liquid credit of the country and tended to restrict to that extent the ability of our banks to serve going-business. The funding of this debt means its transfer to the investment market and that investors while given sound security at good returns are helping to carry copper which under the immediate world condition can find no market, but is certain to be absorbed as world-wide business conditions right themselves.

The main consideration in offering such notes is the value set on the collateral, and here the banks seem to have acted conservatively. The success of this endeavor to steady the copper situation will be a forward step in getting back to normal—a process requiring the marshalling of obligations over a considerable period and the substitution of long for short term credits.

Keeping Debtors Out of Bankruptcy

Advantages of Adjustment Bureaus

By Elisha Roberts

IN February we discussed some of the disadvantages of bankruptcy, and we touched lightly upon the functions of adjustment bureaus. In our discussion we have reached the organized adjustment bureau, an institution whose scope is far reaching and whose possibilities for preventing potential failure are numerous.

Adjustment is the handling of a live issue, even though the subject is diseased. We can distinguish between bankruptcy and adjustment in this particular alone, that bankruptcy in most instances involves a meeting of the creditors after the financial death of the enterprise. Adjustment in the sense in which we use it means agreement, the getting together of both sides and the working out of a plan which should be advantageous to all parties. An adjustment bureau should be organized with this particular plan in view. It should not be organized entirely to take over insolvent estates. The great difficulty in making adjustments is in getting all parties to lay their cards on the table, to play fair with one another and this is true between creditors as well as between creditor and debtor. The adjustment bureau should insist upon fair play.

Creditors are partners and this partnership should include the debtor. They have invested merchandise or cash in the business and they have a right to know how the business is being conducted. The creditor who treats a notice of the calling of a meeting of creditors as anything less than a meeting of partners for the discussion of the business involved, is not treating the other creditors nor the debtor fairly. Some creditors assume that the calling of a meeting of creditors warrants them in taking drastic action, and in this they fail to recognize the first principle of adjustment.

If you receive a notice of a meeting of creditors, you should bear in mind that hasty action on your part may prevent the thing which would give you the largest dividend. The organized adjustment bureau should be consulted. You have probably waited sixty or ninety days for your money and a few days more will not matter. The adjustment bureau knows how to protect your rights

and to prevent preferences and how to recover preferences when made. You have nothing to gain by precipitate action; you have everything to gain by treating the creditors' meeting as a partnership meeting.

A SPIRIT OF COOPERATION

Go to that meeting mentally prepared to listen to a tale of woe,—you certainly do not expect to be amused. Meet your competitors and the other creditors in a spirit of cooperation. Begin the thing right. Be prepared to advance your opinion as to future as well as past performances.

The supervision of a creditors' meeting should, if possible, rest in the hands of an organized adjustment bureau. There are many private bureaus operating on standards fixed by our Association and on which we may rely. We, of course, ought to have confidence in the bureaus operated by the Association, and we are told if these bureaus do not meet with our approbation, it is our privilege to make complaint to the committee supervising them.

In using the words "organized adjustment bureaus" we may well include bureaus which measure up to our standard, because in many cities we have no bureau directly connected with a local association of credit men. The best adjustment bureau is the one that helps administer a failing business so that if it is worthy of life it is made to live and if it does not live, creditors are satisfied that the case was hopeless. The organized adjustment bureau should also operate with a minimum of expense. It is probable that the costs in bankruptcy matters have done more to make manufacturers and merchants dissatisfied with that act than has the discharge of the bankrupt from his debts, but the bankrupt act does have the advantage of encouraging business men to get together for co-operative action.

The adjustment bureau should be like a fire extinguisher,—ready to stop an incipient blaze and not make it necessary to bring the engines, but just as we maintain fire departments, so should we maintain the bankruptcy act, that it may be called in when adjustment fails.

The bankruptcy law is a wise law, an essential to mercantile life. It provides a medium for an impartial distribution of what is left, but the adjustment bureau should tell us whether or not the business should be continued and not wait to see what is left.

Through some means we have come to believe that adjustment bureaus and creditors' committees are more inclined to pay attention to the business man and less attention to the attorney; while we think of the bankruptcy law in the reverse position. That attitude of mind is probably correct. The dissolution of the business, the distribution of its financial estates and the release of the debtor under the law are things for attorneys to manage. The extension of time for payment, the continuance of the business and reduction of over-head, the elimination of waste,—these are things for business men to supervise.

This is a year in which we should not be stampeded. We should be cautious, careful in forming judgments and keen to protect legitimate business rather than to hasten its downfall. The weak or inefficient becomes frightened at the first indication of potential failure. He is easily carried away by the statement of somebody "that they are going to the bottom of this affair," or "that they are going to put this bankrupt through the crucial test." Such statements are usually worthless. If creditor or attorney knew of things which would have permitted such action, neither would have restrained himself until some other creditor heard the rumor of financial trouble. It sometimes happens that it is wise to do these things after an estate is in the hands of an adjustment bureau or in the bankruptcy courts, but instead of being alarmed by such remarks, the credit man should view with suspicion the man or men who first make them.

A SQUARE DEAL

The adjustment bureau should bring the creditor and debtor together. They should impress the debtor with their desire to be fair, and most men under such circumstances will respond and will be fair; in other words, if the debtor can be

made to understand that his creditors want only a square deal, most debtors will give them a square deal, but there is nothing that so antagonizes a debtor as to be told in effect that he must be subjected to all the hardships that his creditors may devise.

The adjustment bureau should begin its work before the real damage is done. It should offer facilities for carrying on the business, if that proves to be the wisest course. It should operate to prevent waste, for wastage is never recoverable. Just as we have already agreed that failures are detrimental to the bankrupt, the particular industry, the creditors and the community, so we ought now to agree that properly managed adjustments should be beneficial to the debtor, the industry, the creditors and the community.

The National Association of Credit Men has for many years been developing the adjustment principle, crystallizing ideas, guiding the thoughts of its members and developing adjustment bureaus to the end that the tremendous losses by failure might be reduced and a better spirit of co-operation developed. This is the year in which this spirit should reach its highest ideal. The reaction from the intense prosperity of the war period is here, and we need the steadiest hands, the clearest brains and the undivided attention of credit men to the end that industry may not suffer, that individuals may not lose hope and that the community spirit of co-operation may not be destroyed. Let us not wait for the legal possibilities of bankruptcy. Let us use the business principles of adjustments supervised, if you like, by attorneys or by adjustment bureaus, but working always to the end that there shall be no further waste, no loss of business, no harm to the community. We can attain this with less cost to ourselves if the adjustment principle is applied.

Working with Chamber of Commerce

Columbus.—The Columbus Association held a largely attended meeting in January to hear a report from its delegates, B. G. Watson and Chas. B. Cranston, to the meetings of the Interchange and Adjustment Bureau managers held in St. Louis. Mr. Watson also took advantage of the occasion to explain the operation of some of the new income tax rulings.

A committee was appointed to serve with the committee of the Columbus Chamber of Commerce in helping to decide as to the proper location for the new city hall to replace the one destroyed by fire January 12.

The Rev. Gilbert Cox was the principal speaker—his theme, "Good Business is Good Religion."

Assignee Refused Allowances Judge Knox Deals Blow to Dual Administration

By W. Randolph Montgomery
Counsel, National Association of Credit Men

THE evil of dual administration in bankruptcy cases which has been the occasion of much concern to the judges of the United States District Courts and the referees in bankruptcy, was dealt a severe blow by the decision handed down on February 18 by Judge Knox in the United States District Court for the Southern District of New York in the case of Joseph Brinkman, trading under the style of "Samuels."

Frequent warnings have been sounded by the Federal judges indicating that the making of general assignments for the benefit of creditors is not favored, and the suggestion was made by Judge Julius M. Mayer of the Southern District of New York at a recent meeting of the Association of the Bar of the City of New York, that when a petition in bankruptcy is filed after a general assignment for the benefit of creditors, the Federal judge should be required to take over exclusive jurisdiction of the estate. Judge Mayer suggested further that an appropriate amendment to the Bankruptcy Act and Rules should be made to do away with the confusion and expense resulting in such cases.

In the Brinkman case, objection had been made by the attorney for the trustee to the award of allowances to the assignee and his counsel. It appeared that the counsel for the assignee was also the counsel for the petitioning creditors and though the estate was administered to the satisfaction of creditors, and no reflection was cast upon the assignee or his attorney, Judge Knox ruled that the objections raised to the payment of allowances to the assignee and his attorney were well taken. He said, "This Court is ready and willing to grant allowances for all work done pursuant to its authority in the administration of bankrupt estates. What was done here by the assignee and his attorney was not under the authority of this Court, but rather in derogation thereof. And, desirous as I am to award adequate compensation to persons entitled thereto, I cannot do so where action is taken that in a sense is in defiance of this Court...."

"It is my personal hope, therefore, that this case will be particularly impressive as to my attitude upon the practice of using the Bankruptcy Act as a shield behind which the administration of an estate may be carried on without invoking the power and authority of this Court. The Bankruptcy Act, in order to be uniform, must be exclusive in its jurisdiction, and I shall insist that it be so in fact."

BANKRUPTCY ACT DISCUSSED

A conference was held on January 10, 1921, at the rooms of the Association of the Bar of the City of New York, on the subject of bankruptcy, and was addressed by Judge Julius M. Mayer of the United States District Court for the Southern District of New York, and by Marshal S. Hagar, a well-known authority on bankruptcy matters and one

of the authors of Hagar & Alexander's Bankruptcy Forms.

After discussing the objects of the law and reviewing briefly some of the abuses to which bankruptcy practice has been subject, Mr. Hagar made certain suggestions as to amendments which he thought might be desirable to make the Bankruptcy Act less subject to criticism. Among other amendments which he considered desirable were the following:

1. That the six-year period which must elapse before a voluntary bankruptcy may again file a voluntary petition should be extended in order to prevent the practice of repeating.
2. That where a bankrupt has, for any reason, failed to apply for a discharge, and he is subsequently adjudicated either a voluntary or involuntary bankrupt, he should be permitted in the second proceeding to obtain a discharge from the debts which were scheduled in the prior proceeding. (This to be so, however, only where the bankrupt was not refused a discharge in the earlier proceeding.)
3. That claims for conversion should not be dischargeable and that tort claims such as claims arising from negligence should not be dischargeable.

Judge Mayer, in reply to Mr. Hagar's comments, cited the case of *Schall versus Camor* decided by the United States Supreme Court on January 24, 1920, to the effect that a mere tort not arising from a contractual relationship is not a provable debt within the meaning of Section 63 of the Bankruptcy Act and therefore is not dischargeable under Section 17 of the Bankruptcy Act.

Judge Mayer also commented upon the requirement of the Bankruptcy Statute that three appraisers be appointed and suggested that it would be better if the number of appraisers were left to the Court.

The most serious defect in bankruptcy administration, the Judge stated, is the practice of electing the trustee by vote of the creditors. It is this which, in his judgment, is responsible for the solicitation and rounding up of claims which he contended is rendered necessary in order to prevent fraudulent or unwise administration through the election of an improper trustee. The trustee should be appointed by the court and should function under the supervision of the district judge in the same manner as a receiver in equity.

Business Outlook

St. Joseph.—A forum meeting in which there was discussed the probable effect of the election on business was recently held by the St. Joseph Credit Men's Association. President Charles A. Wells called upon the bankers present, of whom there were many, to express their views, and the general feeling on their part was that after the first of the year business would settle down to something near a normal basis.

It is reported by the Interchange Bureau Committee that a number of St. Joseph members were cooperating with the Kansas City Bureau in the up-building of the bureau department.

The Co-Insurance Clause Necessity for Full Fire Insurance

By S. S. Garrett

Sylvester S. Garrett, Philadelphia, Pa.

"IN consideration of the reduced rate at which this policy is written, it is expressly stipulated and made a condition of this contract that this company shall be liable for no greater proportion of any loss than the amount hereby insured bears to eighty per cent. of the actual cash value of the property described herein at the time when such loss shall happen, nor for more than the proportion which this policy bears to the total insurance thereon; provided, however, that if the aggregate claim for any loss shall not exceed five per cent. of such actual cash value, no special inventory or appraisal of the undamaged property shall be required.

"If this policy be divided into two or more items, the foregoing conditions shall apply to each item separately; and if two or more buildings or their contents be included in a single item, the application of the provision as to special inventory or appraisal shall be limited to each building and its contents."

ANTI-CO-INSURANCE LAWS

Credit men are deeply concerned in the amount of fire insurance carried by their customers. Although ten of our states carry anti-co-insurance laws on their statute books, fire insurance rates are so extravagantly high in these states as to act as a strong deterrent to proper insurance. These states are Georgia, Minnesota, Indiana, Mississippi, Texas, Iowa, New Jersey, Wisconsin, Louisiana and North Carolina.

The mercantile agencies should have their reporters ask merchants and manufacturers to show them their policies of fire insurance, just as they insist that they see deeds to property, as a basis for commercial ratings.

Business men who gamble are justly regarded with suspicion. The fluctuations in merchandise prices are bad enough to contend with and necessarily go with the game of business. But the man who thinks he is beyond the reach of fire is even worse than a gambler. Our great annual fire losses suggest what he is.

Read your fire insurance policy carefully, especially the co-insurance clause. Here is the way it works:

A HORRIBLE EXAMPLE

A hard working widow inherited from her husband an apartment house for which he paid at sheriff



Soak Him!

WE are probably a long way from the compulsory fire insurance which Mr. Garrett suggests in the accompanying article. Indeed the insurance companies feel that they are subject to an unnecessary amount of legislative regulation in the matter of taxation. This belief is amusingly expressed in the above cartoon which was sent THE CREDIT MONTHLY by the Insurance Company of North America.

THE EDITOR.

sale \$12,000. It was mortgaged for \$9,000. She insured it for \$12,000 because she thought it would be wicker to insure for more than cost. Through the carelessness of a tenant a curtain caught fire and her building damaged to the extent of \$5,000. The appraisers for the fire insurance companies figured that the apartment house would cost \$30,000 to rebuild. She should have carried at least \$24,000, as her policies were written with the 80 per cent. clause. She was, therefore, only 50 per cent. co-insured and received \$2,500 instead of \$5,000.

Fire insurance in most of the countries of western Europe is semi-compulsory, in much the same way as workmen's compensation insurance in many of our states is com-

pulsory. We may be forced to this ourselves before long, as an uninsured fire loss means a more or less sudden and violent credit strain and often bankruptcy if the unfortunate business man has already suffered from shrunken merchandise values and pressure from banks.

A man should carry insurance up to at least 80 per cent. of his values just as cheerfully as he pays his taxes, and plans for business expansions after having first paid both. It is unfair to the business community for some to insure for year after year and to have to constantly battle with an unscrupulous competitor who does not insure his merchandise nor care whether a fire comes along and ruins him or not.

Fair Taxes for All Business

Undistributed Earnings Tax or Flat-Rate Corporation Tax Proposed

By E. H. Jaynes

The Cleveland-Cliffs Iron Co., Cleveland, O.; Director, National Association of Credit Men.

ONE of the greatest problems that the 67th Congress will be called upon to solve is the tax problem. With the return to normal conditions, it is necessary that tax measures designed to meet abnormal conditions be repealed and that only such tax legislation be enacted as will harmonize with normal conditions and as will distribute the burden of taxation as fairly as possible over the whole business of the country.

The Excess Profits Tax must and will go. It has served its purpose as a revenue raiser for war purposes, but its inherent defects render its continuance on the statute books impossible. It has few friends and there is not likely to be much objection on the part of Congress to its repeal.

Prevailing opinion among business men, economists and legislators is that the graduated income tax will be retained as the basic tax in the new measures to be adopted. Whatever legislation is enacted will consist in improving the income tax and in supplementing it. If the principle of the graduated income tax is retained as the basic principle of the American tax system, it follows logically that it should be made to apply as far as possible to all types of business and individuals *equally* and in accordance with the principle of ability to pay. If sole traders and partners pay the graduated income tax—at normal and surtax rates—on all their income, whether retained in the business or not, equity and justice demand that corporate shareholders should pay equivalently,—that is, on their income, whether retained in business or not, at a graduated rate. The only question involved is that of practicability.

The Federal Tax Committee of the National Association of Credit Men believes that it has found for this problem a solution that insures substantial equality of distribution among all types of business organizations and among all individuals. It proposes:

1. The taxing of dividends of corporations in the hands of corporate shareholders at the normal and surtax rates.
2. The taxing of the undistributed earnings of corporations at rates comparable

with the normal and surtax rates paid by individuals and partners on the earnings of their business, which are reinvested or remain undistributed.

TAXATION OF CORPORATE DIVIDENDS IN THE HANDS OF CORPORATE SHAREHOLDERS

Under the present law a tax at approximately the full normal rate on individual income is levied on the net income of corporations, and the shareholders are then exempted from the normal tax on the dividends they receive. This flat rate income tax on corporate net income, however, violates the principle of taxing the individual in accordance with ability to pay. Taxing as it does all shareholders alike, it penalizes the small shareholder whose entire income from all sources may be so small as to be wholly exempt from tax, or to be subject to only the half rate of normal tax. He is compelled to pay the full normal rate upon that part of his income which he receives from dividends (the distributed corporate earnings). It is therefore recommended by the Federal Tax Committee that each individual shareholder pay his own normal tax upon dividends instead of having it withheld and paid by the corporation.

With the elimination of the corporate income tax, equality of taxation with regard to *distributed earnings* is achieved as between corporate shareholders, sole proprietors and partners.

TAXING THE UNDISTRIBUTED EARNINGS OF CORPORATIONS

We have under the present law the individual paying a tax on his *total* income, the partner paying on his *total* income, whether distributed to him or not, and the *corporate* shareholder paying on the income *actually received*—all at the same rate—and under the proposed law the corporate shareholder having paid for him a tax on the income *undistributed to him* at substantially the rate that would apply to this income if it were distributed to him. It is therefore recommended that a graduated tax at rates comparable with the normal and surtax rates paid by individuals and partners on the earnings of their business which are reinvested or remain undistributed, should be paid by corporations upon the current net income not dis-

tributed in dividends or made subject in the hands of the shareholders to the individual income tax.

In connection with this tax, it needs to be remembered: *First*, that Dividends which are paid from earnings of prior years on which the corporation has paid the undistributed earnings tax, are not to be considered as income to the individual shareholder; *Second*, that Dividends may not be paid from surplus until earnings of current year have first been used for that purpose.

WHY UNDISTRIBUTED CORPORATE EARNINGS SHOULD BE TAXED

Just as long as we do tax the undistributed partnership earnings, as at present, a compensating tax must be placed on the undistributed corporate earnings which correspond; a tax must be placed on those earnings which will practically equalize the tax borne by the shareholder and that borne by the sole trader or partner when each enjoys the same measure of prosperity.

This tax on the current net income of corporations is simply a tax applied to that portion of the earnings of the investment of the individual shareholder which, assuming the repeal of the corporation income and excess profits tax, otherwise entirely escapes taxation by reason of not being distributed. This tax should be so levied as to be free from any punitive element and from any attempt to force the distribution of dividends which should, for sound business reasons, be retained as working capital.

The law should prevent the use of the corporate form of organization as a vehicle for shifting a just proportion of tax liability, or escaping a proportionate burden of taxation by the device of allowing earnings to accumulate undistributed.

This undistributed earnings tax is urged for two reasons:

1. It will substantially equalize the tax burden of the individual shareholder with the tax burden of the sole trader or partner enjoying the same measure of prosperity.
2. It will raise revenue for the Government in a manner substantially fair and equitable.

UNDISTRIBUTED EARNINGS TAX WILL NOT FORCE UNDEE DISTRIBUTION

The only argument which has been brought forward against the tax

on undistributed earnings is that it would force distribution to shareholders of earnings which were needed in the business, this distribution being forced to avoid payment of the undistributed earnings tax by the corporation. This argument is fallacious for the following reasons:

Corporations are managed by boards of directors, which control payment of dividends by the corporation. The personnel of boards of directors is almost invariably made up of the principal owners or their representatives.

If the above mentioned argument were sound, we would have to conclude that a board of directors would pay themselves dividends on which they would be obliged to pay a personal income tax in order to avoid bearing their share of a comparable tax assessed against the corporation, and that they would pay themselves these dividends and in so doing undermine the security of their investment in the corporation. No such accusation of intellectual weakness is justified against the owners of the corporations of the country.

Those corporations which are well managed and which are earning income, and therefore are the ones to which this tax would apply, are competent to manage their affairs; their directors will not undermine the security of their investment for the purpose of exempting the corporation from tax and according themselves the privilege of paying a comparable tax on such income.

Such a tax would not in any way restrict expansion commensurate with the legitimate requirements of the business, although it might act as a deterrent to any abnormal expansion which, the Federal Taxation Committee believes, should be financed through new securities, thus obtaining the consent of all the shareholders to the program.

SUMMARY OF ADVANTAGES OF PROPOSALS

These two proposals, namely, the taxing of dividends of corporations in the hands of corporate shareholders and the taxing of undistributed earnings of corporations, will make for as great equity as can be achieved with our forms of business organization. The strength of these taxes lies in the fact that they recognize the individual as the tax bearing unit. By so doing they will eliminate the injustices that obtain under the present law. The corporate shareholders of corporations are now inequitably treated. The flat corporation tax of 10 per cent. which is paid at the source is applied to all shares alike,—thus doing violence to any principle of taxation which recognizes, like our own, the personal exemption and the progressive rates. The result is, to quote Professor F. R. Fairchild of Yale,

"That many shareholders are taxed, through the corporation, upon income which, on account of the personal exemptions and credits for dependents, would be tax-free if the tax were imposed upon the recipients of dividends instead of upon corporate income; and (2) much income is taxed, through the corporation, at the rate of 10%, which if taxed to the individuals in the form of dividends, would

pay only the lower normal rate of 4%. This is a violation of the spirit of the income tax law. It is not excused, but made more flagrant, by the fact that it does not affect all shareholders. Many shareholders have incomes from sources other than dividends sufficient to allow them the advantage of their statutory credits and of the lower normal rate on the next four thousand dollars of net income. To such persons the law works no hardship. These are the wealthy and the well-to-do. But to those whose other income is not so great there is denied the advantage of the credits and the low normal rate, to which the spirit of the law entitles them. These are the widows and orphans, the aged, and those on the lower rungs of the economic ladder.

"I have tried to make some estimate of the extent of this injustice. First, as to denial of the personal exemptions and credits for dependents. Every person who receives any income in the form of dividends and who does not receive net income from other sources equal to the total credits for personal exemption and for dependents to which he is entitled is denied the benefit of the whole or a part of such credits.

"There is no way of calculating the amount of the injustice thus done through the denial of statutory credits. Every taxpayer is entitled to at least a personal exemption of \$1,000 or \$2,000, but there is no information available to correlate the receipt of dividends with the amount of income from other sources to which the exemptions may be applied.

"However, the statistics published by the Commissioner of Internal Revenue show that, in the year 1918, a million and a half people having income of \$1,000-\$2,000 received forty-six million dollars in dividends. Another million and a half, with incomes of \$2,000-\$3,000 received eighty-eight million dollars in dividends, while nearly a million others had income from other sources out of which to take their credits, and that some considerable part of these three hundred and thirty-six millions of dollars of dividends should not have borne a tax. Just how much should have been exempt it is not possible to say.

"As to the injustice done through denial of the 4% normal rate, a more satisfactory calculation can be made. Every taxpayer is entitled to the 4% normal rate upon such part of his net income in excess of his credits for personal exemption and dependents and for dividends as does not exceed \$4,000. The spirit of the law is that the first \$4,000 of taxable net income (i. e., above the credits for personal exemption and dependents) should be taxed at the 4% normal rate. Dividends are assumed to have already borne their share on account of the 10% tax paid by the corporation upon its net income. If, in lieu of the corporation income tax, dividends were included in the taxable incomes of individuals (for normal tax as well as surtaxes), the 4% normal rate would naturally apply to the first \$4,000 or net income above the credits for personal exemption and dependents. To-day every person who receives any income in the form of dividends, and whose net income from other sources does not exceed his credits for personal exemption and dependents by at least \$4,000 is denied the benefit, in whole or in part, of the low normal rate on the first \$4,000 of taxable net income."

HOW UNDISTRIBUTED EARNINGS TAX MAKES FOR EQUITY

The tax on undistributed earnings at a graduated rate will tend to

equalize the tax borne by corporations with that borne by individuals and partners. It is clearly the most practicable proposal seeking that end and it has received widespread recognition because of this fact. Since it places the earnings of corporations and individuals and partners on a substantially equal footing, it will preclude the charges so frequently made, whether justly or unjustly, that corporations are favored or penalized. It will thus tend to eliminate corporation baiting.

Dr. Thomas S. Adams put the case of the Undistributed Earnings Tax trenchantly in a talk before the Chicago Association of Credit Men.

"By and large, the corporations of this country have most to gain by being placed upon the same basis as individuals. In the long run, if there be a difference in the methods of individual and corporation, the corporations will feel the heavier burden. Safety lies in equal treatment, in equal rights. Just as long as a different system of taxation is applied to individuals and partnerships on one hand, and corporations on the other, just so long you are inviting corporation baiting. Gentlemen, there is statesmanship in this proposition and the desire for fairness, not to penalize nor to benefit the great corporate business concerns of this country, but to get them on that footing where they will receive the natural and normal treatment that should be accorded to large and small alike.

"The system of taxation on undistributed profits lends itself, I think, and your committee thinks, and many other people think, to the bringing about of practically exact equality in the taxation of sole proprietors, corporations, partnerships, and other forms of business enterprise. It needs your thoughtful consideration. Realize the larger aim back of it. Realize that it is for the wholesome object of getting the taxation of individuals and corporations on the same footing, so that equal treatment may be meted out to both, because I repeat again, in the long run if there be a difference of treatment, there will be heavier burdens for the corporation and not lighter. In my opinion the corporate interests of the country have nothing but gain to derive from a sane and carefully formulated undistributed profit tax."

RECOMMENDATIONS OF NATIONAL INDUSTRIAL CONFERENCE BOARD

The National Industrial Conference Board recognizes the Income Tax as the basic tax in the American Tax system. As a substitute for the Excess Profits Tax it advocates an increased corporation income tax. It realizes the fact that the Excess Profits Tax, whatever its demerits were, was at least an attempt to equalize the tax borne by sole traders and partners on the one hand and corporations on the other. The Excess Profits Tax in other words was designed as the equivalent of a surtax. To quote from the National Industrial Conference report,—

INCREASED CORPORATION INCOME TAX

"The Corporation income tax can be increased to not more than 16 per cent.

except in case of public utilities subject to regulations, on which it should probably remain 10 per cent. The exemption of \$2,000 now allowed to corporations can be abolished.

"In view of the recommendations to abolish the excess profits tax and to reduce the surtax rates in general, or at least the surtax rates applied to the saved and invested income of individuals, and of the fact that, for reasons more fully set forth on preceding pages, no one tax such as a sales tax has been found to be available as a substitute, the Committee believes that it is both advisable and equitable to replace by an increase in the rate of the corporation income tax a portion of the revenue now raised through the excess profit tax and the surtax.

"In order to avoid gross discrimination between corporations and the large number of individuals who are engaged in business either as partners or as sole proprietors, some compensatory tax must be levied upon corporations to offset the surtax which the individual must pay upon that portion of his income, which is retained in the business. Even if the Committee's recommendations for the reduction of the surtax rates upon such income are adopted, the rate might still run up to 20 per cent. Under the existing system the surtax paid by the individual is assumed by some to be equalized by the excess profits tax on the corporation. The repeal of the excess profits tax, however, wipes out this supposed offset and turns the discrimination in every case against the individual."

It must be said for this tax that it is frankly advocated with the realization that it does not insure absolute equality of taxation as between various business groups.

In its own words the Conference Board Committee "appreciates that some form of such tax (a tax on undistributed earnings) may logically be more nearly compensatory for the surtax to which partners and sole proprietors are subject than is the flat increase in the corporation income tax rate which is recommended in this report," but it is not convinced that proposals looking for such compensation are as yet practicable.

Against this committee's proposal, it may be urged that a flat rate tax of 16 per cent. on all corporations (with the exception of public utilities) constitutes a gross injustice to individual shareholders, for it violates the principle of ability to pay. It means that the small shareholder pays in the same proportion as does the large shareholder regardless of his total income and of his ability to pay taxes.

Two examples will show how flagrant inequities may become under this tax and how seriously these inequities do violence to the whole principle of income taxation based on ability to pay. If, for example, the corporation distributes all its earnings for a certain year, the individual shareholders would pay their full tax, just as a group of partners or individuals, but in addition

they would have borne already (through the corporation having paid a flat rate tax in their behalf) a tax on the earnings of their investment. If a corporation does not distribute any of its earnings these earnings would be taxed at the insignificant rate of 6 per cent., the shareholders paying no surtax whatever on the earnings of their investment. This condition would obtain just as long as the earnings are undistributed. When they are distributed the inequitable situation referred to above would obtain.

It is altogether likely that the tax legislation of the country will embody the income tax as the basic feature of the tax program. As a substitute for the Excess Profits Tax which will be repealed, the choice will probably be made between an increased corporation income tax at a flat rate of fifteen or sixteen per cent., or an undistributed earnings tax on corporations, which seeks to equalize as far as possible the burden of taxation over all industries and over all individuals.

(A detailed analysis of the Undistributed Earnings Tax is published in pamphlet form and may be secured by addressing the Natl. Assn. of Credit Men, 41 Park Row, New York.—Editor.)

Fresno Prevents Fires

Fresno.—The business interests of Fresno, Cal., are working to secure a reduction of the Fire Insurance rates of their city on the ground that four defects pointed out in the report following the survey made by engineers of the Board of Fire Underwriters, (1) lack of fire hydrants, (2) poor water pressure, (3) poor location of fire houses and (4) poor fire alarm system. The city officials told the business men that the defects had been remedied, or, at least, were being corrected, that six new hydrants had been placed in the residential part of the city, that two new pumping plants and four new wells had been installed to provide better pressure, that three new sites for fire houses had been secured and buildings are about to be erected, and that preliminary steps had been taken to correct the faults of the fire alarm system.

Fresno had suffered from excessive fire losses: in 1918 the loss was over \$15 per capita and in 1919 \$10 per capita. In 1919 Fresno's loss was the greatest per capita in the United States and in 1920 the loss was by far the greatest of Californian cities.

The Fire Chief of the city declared that an assistant had been appointed as fire marshal and that he had twelve men working with him on a fire prevention detail during their off-shift. These men are making daily inspection of various stores, seeing that the fire causes are removed and the hindrance to fire fighting remedied. They are also responsible for the clean-up work and were empowered to have an arrest made if their orders were not obeyed.

The Fire Chief said that an effort would be made to prohibit shingle roofs in Fresno.

Your Own Concern What Do Agency Reports Say of It?

By Cott N. Goods

"DO you ever," said one credit man to another, "take the trouble to examine agency reports on your own company?"

"Never," was the reply. "I know all about my own concern, and I can see no reason why I should."

Until recently, I would have given a similar reply, but my attention was called quite incidentally to a report made by an agency on my concern. On examining it I found so many errors that I secured similar reports from other agencies with a view to setting the agencies straight.

I found one agency, for instance, listing us as "Wholesale Cotton Goods," though our report to the agency listed our business as "Cotton Goods Commissions," for we sell to manufacturers, jobbers, and wholesalers exclusively. Under the former listing a prospective customer looking us up to see whether or not we were financially responsible and able to carry through our contracts, would regard us as a competitor. This listing, therefore, might interfere with securing certain business.

Another agency had placed its own interpretation upon some features of the blank which we had filled in at the agency's request. The blank given us by the agency had not a space for "Trade Acceptances Receivable," and we had carefully crossed out "Real Estate" and type-written the proper wording. We also scratched out "raw material" and inserted, "Cash Advanced to Mills." In place of "Machinery" we showed only "Fixtures." These items run into the thousands and in the report given out by the agency the original printed items were reported and not our typewritten substitutes. The injustice done us was in the fact that our quick assets were shown as slow assets, subject to considerable depreciation.

One agency also had a member of the firm down as having a merely nominal interest in the concern when in truth he held approximately a one-fourth interest.

When the matter was personally called to the attention of the agencies, they of course, quickly made corrections, but it struck us there and then that business houses are overlooking an important point in not verifying agency reports and ought to go over them just as they would check up the bank's statement of account at the end of the month.

What Is Income?

Need of Further Definition by Law

By *Harry A. Richards*

Of the New York Bar

OUR present Federal income and excess profits tax laws are sanctioned only by the Sixteenth Amendment. That amendment confers authority on Congress to tax incomes without apportionment according to population; but confers no power to tax capital. Many taxpayers feel that, under the guise of taxes on income, their capital is really taxed in many instances; that Congress went a little further than the Amendment, and that the Treasury went a little further than Congress. This feeling is especially strong under circumstances like those following.

WHEN CAPITAL BECOMES INCOME

Suppose that John Smith, a hard-working credit man, frugally set aside a portion of his yearly income, after paying his living expenses and his city tax, town tax, school tax, state tax, federal income tax, luxury taxes and state income tax. By 1915, let us imagine that he had thus accumulated \$20,000. A small group of his friends have become owners of what they consider a valuable patent. They require money to manufacture the article and put it on the market. John invests his \$20,000 in the stock of their corporation. The article is useful, and the enterprise is a success from the start. By 1921, the corporation is so prosperous that John is offered \$160,000 for his stock. This is just the amount he has set his heart upon as sufficient to allow him to retire, play golf, visit the Grand Canyon, and see his two children oftener than once a week, without missing his present \$10,000 salary. But if he lives, for example, in the State of New York, the news is broken to him by his lawyer that his total taxes for 1921, if he accepts the alluring offer, will be just about \$65,000.

Why? Simply, on the theory that he received a salary of \$10,000 and made a profit of \$140,000 on a stock transaction; and that this profit was income for the year 1921. His stock investment undoubtedly represented his capital; as it rose in value, year after year, it was still capital; the dividends from it were income, and were taxed; the corporations earnings were income, and severely taxed; but his stock investment still

represented his capital. The moment before he sells, it is capital. But after he sells, according to the tax collectors, part of it becomes income; in fact, most of it, in the case supposed. This does not seem right, in logic or in justice. The Supreme Court may clear up this and similar cases, one by one, and these decisions will of course help. But how many transactions have been frustrated because of the fear of losing a tremendous sum in taxes, where there was no time to litigate the matter, and no certain answer, short of litigation? Any new tax law, in addition to other improvements, should do something to limit the definition of income to its proper bounds, and to define when income actually arises. A citizen who engaged in business with his own capital subsequent to March 1, 1913, and gradually built up a business for which he is offered a large sum in 1921, is confronted by the same proposition as regards taxes.

In England, where their experience with income taxes antedates ours by a matter of about seventy years, it is recognized that increment of capital, whether realized upon or not, is not necessarily income. Some years ago a syndicate was formed there, to buy rubber lands and raise and sell rubber. The lands were bought, and then came an opportunity to sell out the whole enterprise at a price better than cost. The sale was made, and the court decided that the profit thus made was not income, saying, "I am unable to distinguish the case of the appellants from that of a person who acquires a property by way of investment and who realizes it afterwards at a profit. It is well settled that in such a case the profit is not part of the person's annual income liable to be assessed for income tax but results from an appreciation of his capital."

There is another whole class of transactions where it is important to determine when income becomes income—and that is the question involved in instalment sales and various kinds of deferred payments.

INSTALLMENT SALES

Suppose friend Smith is willing to wait for his money and decides to

sell his stock investment for \$160,000, and take payment in instalments over a period of years. He thinks, naively, that if his \$140,000 increase in capital is in truth income, at least it cannot be income until it actually comes in. How can he pay taxes out of income until he receives the income? Moreover, since he will receive a smaller amount each year, he will not fall into such a high bracket of the tax, and his total taxes will be smaller. But, if he elects to take pay in instalments it will be difficult for him to determine what his taxes will be.

The Treasury at first ruled that in instalment sales, the obligations of the buyer in certain cases were to be regarded as the equivalent of cash on the day the bargain was made, even though they might not mature for years. A rough and ready set of rules was adopted. If more than 25 per cent of the purchase price was paid down, this tended to stamp it as a cash transaction. There seemed, in fact, to be some logic in the view that if the seller received negotiable notes for the deferred balance of the purchase price, he was getting something pretty close to cash, and might be regarded as having realized his profit (leaving aside the question whether any of the gain was really income).

But consider how the rule might work out. Smith has no other property than the stock in which he invested his savings. He sells the stock for \$160,000, receiving \$45,000 in cash and the balance in payments in two, three, four and five years. Suppose these deferred payments are represented by negotiable notes. If these notes are regarded as the "equivalent of cash," and if Smith is assumed to have realized a profit of \$140,000, his taxes will be about \$65,000 cash. Taxes are not payable in the "equivalent of cash," but in real money. But Smith has only \$45,000. How can he pay \$65,000 in taxes? He may try to discount the notes which he received. But why *must* he discount them? Why should he be compelled to change the form of his property? As Justice Pitney remarked in the famous *Macomber* case, "Nothing could more clearly show that to tax a stock dividend is to tax a capital increase than this demonstration that in the nature of things it requires conversion of capital in order to pay the tax."

It might be argued that any taxpayer who is unwise enough to tie up his money, knowing he will have taxes to pay, must expect that a levy will be made on his property to collect the taxes. If he realizes a cash profit of \$140,000, and ties it

up in bonds, he, of course, could not justly claim that he should be relieved from taxes because he has no money to pay them.

But this is no answer to Smith's situation. He never had any cash. He made the best bargain he could, and got only \$45,000 in cash. Must we say that he should not take notes, because a profit in notes is a profit in cash for purposes of imposing the tax, but not for the purpose of paying it? Then we are dictating the form of his transaction, and rendering impossible a legitimate business operation because we say in the same breath that notes are cash, and are not cash.

Some such dilemma evidently arose, for in a tax decision subsequent to the original ruling, it was conceded that if notes could not be discounted without material loss, they need not be regarded as the equivalent of cash. This implies, however, that if they *can* be discounted without material loss they must be, if the taxpayer has no other funds.

The real fear on the part of the tax authorities seems to be, that unless they treat almost everything as a realization of income, taxpayers will so mold all their transactions that their extraordinary profits from capital transactions will be spread over a period of time instead of falling in one year, and that this will entail smaller taxes, and the government will lose revenue.

CONFISCATION PARALYZES BUSINESS

This idea, while plausible, seems somewhat fallacious. The fact is that a great many transactions will not be made at all on account of prohibitive taxes. When a taxpayer hears that he will be mulcted of half his capital if he converts it into a different form, he is apt to let well enough alone, and do nothing. In the long run, therefore, the Treasury might get more taxes if it did not try to get so much. The fundamental trouble with these cases is that while the courts may not as yet have decided in a great many cases what is capital and what is income, taxpayers have clear convictions on the subject, as regards their own affairs, founded on common sense and business judgment, and cannot afford, as sane business men, to enter into transactions leading to absurd or confiscatory results.

If, in a new tax law, taxation of income were explicitly confined to income, excluding any attempt to tax appreciation of capital, the law would not only be on a sounder basis, but undue interference with business would be avoided. More-

over, this would conform to the long established precedents of the English law, which seems to be based upon sound reasoning.

The general position of the Treasury on the distinction between capital and income, seems so unsound, that even Supreme Court decisions clear the way only very gradually. One important distinction between capital and income has of course been made by the Supreme Court in the case of *Eisner v. Macomber*. In that case a dividend, in common stock, was declared in favor of the common stockholders. In the popular mind, the case settles broadly that no stock dividend is taxable income to the recipient. But the authority of the case is of course confined to cases substantially similar. Suppose that a corporation desired to declare a dividend, in common stock, in favor of the preferred stockholders, and with the consent of the common stockholders. This looks a good deal like a stock dividend, but it might be taxable as income, nevertheless. A preferred stockholder usually has an ultimate equity in the assets, limited by the par value of his stock, and a right to receive dividends, to a limited amount, before the common stock. If he receives a dividend in common stock, he receives an additional equity in the assets, indeterminate in amount, and this equity might be of far greater value than his preferred stock. The stock so distributed might be, perhaps, in liquidation of arrears of cumulative dividends, over a period of years. This would be another reason for considering it income. Altogether, a very troublesome question might be presented, and the corporation, in doubt, would probably adopt some other plan.

When we consider other possibilities, such as a dividend in preferred, on common; in common, on participating preferred; in convertible preferred, on unconvertible preferred; and so on; it becomes plain that even in the case of stock dividends there is still room for some uncertainty, and that the celebrated *Macomber* case needs company.

The present theory of the Treasury as to the nature of income has had remarkable consequences. It is a fact that some people make profits out of speculation, or from the appreciation of their investments. Ignoring the objection that such gains might be held to be capital investments, the Treasury proceeded to tax them as income. To be consistent, it had to allow the deducting of similar losses, and it did so. Many persons who had a paper loss in stocks proceeded to realize it and

buy the stock back. Many persons who had a paper profit put off realizing it as long as possible. Rich men could not afford to take their profits, and could not afford *not* to realize their losses. In a year of bull markets, like 1919, the Treasury may have collected more taxes than it otherwise would by this ruling. But in an ordinary year, every paper loss in investment would be realized upon, and the loss used in reduction of the normally large income of rich individuals from other sources.

Even if we are convinced that realized appreciation in a capital asset is not income, we must bear in mind one important qualification. If an individual is engaged in the business of dealing in capital assets, for example, buying and selling securities, it is reasonable to regard the sum total of his realized profits resulting from enhancement in value of his different securities, diminished by the sum total of like losses, as his earnings, on income. It is the object and the result of his efforts. The distinction is a practical one, founded on common sense. Borderline cases can be readily imagined which would be perplexing, but this is true of almost any practical doctrine. It is practical doctrines which are needed. We should not import the fine-spun controversies of the economists as to the distinctions between income and capital.

The Treasury has gone to great lengths in deciding at what par income is actually realized as such. If it had said that only cash receipts were income, every considerable payment would be made in Liberty bonds, and income taxes would disappear. So it was necessary to extend the definition to some other sort of property—money or money's worth. But if the owner of certain property choose to incorporate it, as a one man corporation in which he owns all the stock, how is this the realization of income? He can no more readily sell the stock than the property. If he does sell, he may make a profit. But the Treasury, after some vacillation, now seems to hold that such an incorporation is the realization of a profit equal to the excess in value of the property when incorporated, over its cost or 1913 value.

MRS. RETAIL CREDIT MAN to her husband: "Do you mean to say you have the heart to refuse credit to a woman who has been a good customer for years, just because her husband advertises he won't pay her bills? What business ingratitude!"—*Boston Traveller*.

Incomplete Mercantile Agency Reports

Their Share in Increasing Bad Debt Waste

By J. S. Thomas

Elliott-Lewis Electric Co., Philadelphia

Chairman, Mercantile Agencies' Service Executive Committee

THE incomplete mercantile agency report is a menace to the credit department and is responsible to a considerable extent for the large bad debt waste which accumulates annually. Until the mercantile agencies recognize the advisability of weeding out by a rigid system of censorship incomplete reports before they are sent to subscribers, the credit manager will have to continue to discount their usefulness.

The two leading agencies have failed as yet to furnish the credit department with a type of report which can invariably be used as a basis for passing final judgment regarding opening or declining an account. Mercantile agency service is used merely as a guide by the wise credit man; but the fact remains that many credit men who use agency reports as if complete, and without securing supplementary information from other sources, base their decisions on these reports alone.

A complete report on a merchant should show who he is, what he has and how he pays his bills, and if any of these features are missing or have not been properly developed, the report is in no sense a true basis for checking credit.

"Who is he?" includes the past and present business connections of the merchant, partners or officers of the corporation and his or their reputation as to character, habits and ability. To have these facts when considering a new enterprise is especially important, for unless the history in the report is complete it may be another instance where the commercial crook is playing his game. The presentation of a financial statement or of trade opinions showing that payments have been made promptly during the short existence of the business is insufficient. In addition he must have the history of the proprietor or principals in the venture. Such history, if it is complete, will usually offer a good indication as to whether or not the business is likely to succeed.

The report on a small enterprise frequently treats the history feature in a mere line to the effect that the trader was previously employed by

others and started his present enterprise January 1, 1921. This would be information of some value for the credit department if the report showed in what capacity, and for how long, the new enterpriser had been employed, and reflected clearly his ability and traits of character. In other words, if the report contained advice that a grocer had been employed as a salesman for five years by a wholesale grocer, having previously served the company as bookkeeper for seven years, and that he was honest and energetic, thrifty and of more than average ability, the moral risk would be considered quite desirable. On the other hand, if the reporter secured advice that the man who was just starting business had been discharged by the wholesale grocer for performing his duties in a careless manner and reflected this information in the report, the risk would assume an unfavorable aspect.

"What has he?" relates to the net worth of the merchant or firm and the responsibility of the concern. The agencies should make a determined effort to secure a statement and not complete their case when their representative has called merely once without obtaining an interview with the subject. Unless the agency has received a statement or the reporter has interviewed an authority who is in possession of a statement, it is impossible to estimate accurately the net worth or responsibility of the subject. A merchant may have a big store, well stocked, and yet owe a large sum of money to relatives, or be heavily indebted in some other direction. The fact that the property occupied is assessed in the merchant's name at \$8,000, does not indicate any definite financial strength unless the mortgage against it is ascertained.

Therefore, when a report reads: "He carries a fair sized stock; the property occupied is assessed in his name at \$8,000, and as a basis for credit is estimated worth from \$5,000 to \$10,000," one cannot place dependence on the report. We have here only a guess, more likely to prove wrong than right, for there is no real basis for the estimate. It is

in all probability merely the guess of a more or less trained reporter. Authorities rarely offer an estimate of the net worth of a customer if they are not in possession of a financial statement, other than in a general way; and one can readily see how dangerous it is, especially under present conditions, to extend credit on a report of this type.

"How he pays his bills" is a vital part of any report, and concrete details should show just how many authorities were interviewed, the highest credit extended, the terms, the amount owing and manner of payment. In considering the trade opinions, the size of the business,—with the amount of the indebtedness as indicated by the financial statement,—should always be taken into consideration. In other words, if in the trade opinions three houses are reported extending credits in amounts of \$150 to \$300 on terms of thirty days, payments reported prompt, and a late financial statement shows that the subject is owing for merchandise \$8,500, the trade opinions would not be conclusive, for they clearly cover a small portion of his indebtedness. Furthermore, when the report contains meagre information to the effect that locally he is reported to be meeting his obligations promptly, and you know that the subject makes only a few incidental purchases in his own town, it is evident that the agency has not reached the merchant's source of supply. It is necessary, therefore, to get up-to-date information in the trade to pass intelligent judgment in the case. There is no excuse for an agency issuing a report of this kind, as they have available the facilities for serving subscribers satisfactorily if they take advantage of them.

The Mercantile Agencies' Service Committee of the National Association of Credit Men urges all members of the Association to return to the issuing agency all incomplete reports with a request for further information. The agencies desire members to return all reports which are unsatisfactory. Every member owes it to his fellow credit men to take this action, for if this procedure is followed out, the next subscriber

who calls for a report on the same party will secure complete data. Furthermore, each man owes it to his house to take this action, for he is entitled to receive a report showing either that the subject is not entitled to credit, or is worthy of credit, and to what extent.

We should determine whether the

agency report is favorable, unfavorable or incomplete, and, if incomplete, we should be certain to return it to the issuing agency. In this way we will do constructive work, for as it is now the agency managers do not appreciate how often the reports they send out are practically worthless.

General Business Conditions Indicated by Answers to Recent Questionnaire

By Jean Le Blanc

ON February 15, J. H. Tregoe, Secretary-Treasurer of the National Association of Credit Men, to elicit information on general business conditions, sent out a questionnaire to twenty-three trained business observers in seventeen different states. These twenty-three business men are in the following lines of business:

- 8 in Wholesale Dry Goods and Notions
- 4 in Wholesale Groceries
- 3 in Wholesale Shoes
- 2 in Wholesale Hardware
- 1 each in silk, steel productions, machinery, men's clothing, hats and neckwear.

The following states are represented:

Alabama, Florida, Georgia, Illinois, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Ohio, Pennsylvania, Texas, Virginia and Wisconsin.

If these twenty-three opinions reflected the experience of twenty-three men only, they would not be of great importance. But they reflect, to a large extent, the trade conditions and business sentiment of the business communities from which the opinions come. Generalizations for the business of the country are usually based on far less diversified and authentic material. If a generalization for the business of the whole country, based on the answers to this questionnaire, may be somewhat hazardous; at least it is certain that these twenty-three opinions may well be taken as furnishing a valuable clue to an interpretation of business conditions. The answers represent conditions and opinions as of approximately March 1.

The following questions were asked:

1. Are stocks of merchandise being reduced in your district and in your own business?
2. Are agricultural commodities being liquidated in your district; if so, how extensively?
3. Are your collections showing any improvement; if so, to what extent?
4. Are your sales increasing or decreasing, and what are your anticipations for the spring?

ing, and what are your anticipations for the spring?

5. Are failures increasing in your district? To what extent are creditors co-operating for the saving of failing debtors.

6. Would the lowering of the re-discount rate be of any advantage to the restoring of confidence and of business?

7. Are buyers seeking longer than usual terms, net and discount; if so, how are you meeting this demand?

1. *Are stocks of merchandise being reduced in your district and in your own business?*

Of the twenty-three business men reporting, twenty-two report a reduction in stocks. The only one who reports stocks stationary gave as his reason that in his line the buying season had begun. Of the twenty-two reporting a reduction, three qualify their answers by "not materially," "slowly" and "gradually." These three are from Louisiana, Michigan and Georgia.

2. *Are agricultural commodities being liquidated in your district; if so, how extensively?*

There are seventeen answers to this question. Of the seventeen, fifteen answer "yes." Answering the question as to how extensively the liquidation is proceeding, the vast majority answer "slowly." In the South there is the disposition to hold back cotton and tobacco. In Maine and Michigan there is a particular tendency to hold back potatoes. In wheat-growing sections of the country there is a tendency to hold back wheat. The consensus of opinion seems to be that liquidation will proceed more rapidly in the near future. In some sections the problem of storage and weather becomes a determining factor; but even where this problem is not present, the urgent need of cash is expected to force the farmer to release his commodities.

3. *Are your collections showing any improvement; if so, to what extent?*

Out of eighteen answers, four answer "yes" and fourteen answer "no." However, of the fourteen reporting no improvement, six re-

port that collections are good. A reading of all the answers leads one to the opinion that collections are better than the credit men expect. Whether that means that the credit men are prepared for the worst, or that they have misjudged conditions, is an open question. As is to be expected, the staple lines—wholesale groceries, etc.—are the least hard hit.

4. *Are your sales increasing or decreasing, and what are your anticipations for the spring?*

Answering this question, nine report an increase and twelve a decrease. Of the twelve reporting a decrease, five assert that they are maintaining their volume of sales—volume of sales in units, not in dollars. Of the thirteen that attempt to prophesy, there are none who look forward to large business for the spring. The majority prophesy an improvement and a fair business. Some are still less optimistic and prophesy merely a very light business, though still an improvement.

5. *Are failures increasing in your district? To what extent are creditors co-operating for the saving of failing debtors?*

Of the nineteen answering this question, fourteen report an increase and five no increase. Four of the fourteen, however, qualify their statements by saying that failures are far below expectation. A reading of the nineteen answers confirms that opinion. The reason for the small number of failures is to be attributed, in large measure, to co-operation among the creditors. All the business men who answer this question report the fullest co-operation among creditors. Their answers to this part of the question show the enthusiasm they feel over the co-operation among business men, which they attribute to the work of Credit Men's Associations and to their Adjustment Bureaus in different communities.

6. *Would the lowering of the re-discount rate be of any advantage to the restoring of confidence and of business?*

Ten report themselves in favor of the lowering of the discount rate, whereas ten report themselves against the lowering. Three may be listed as doubtful; but since these three would probably not join a movement looking toward the lowering of the re-discount rate, it is fair to place them with those who oppose a lowering than among those who favor a lowering of the rate.

7. *Are buyers seeking longer than usual terms, net and discount; if so, how are you meeting this demand?*

Buyers are not, generally, according to the answers to this question, seeking longer terms. Only six mer-

chants answer "yes" to this question. There is a disposition on the part of these six to keep their customers to terms and to make longer terms only in exceptional cases.

THE AGRICULTURAL SITUATION

The reduced buying power of the farmer, and the effect of this reduced buying power on the business of the community, is interestingly summarized in some of the answers. A large wholesale hardware merchant in Minneapolis comments on the situation in the Northwest as follows:

"It is our opinion that that portion of the grain crop which could be used for paying debts has been largely used, and in many cases, in view of the serious conditions which prevail in the Northwest country, the farmers have retained more or less of the money which they received from the payment of their crop, assuming that they will be called upon throughout this season until another crop has been raised in their locality, to pay cash for such purchases as they may make. This will undoubtedly make more or less cash available from this source throughout the Spring and Summer months, but it is our opinion that much of the indebtedness which is charged against the Northwestern merchants at this time will have to be carried until next fall for payment."

The implications of this are far-reaching. The farmer is not coming into the market in the Northwest. If this business observer is correct, the farmer is not in the market for extensive purchases. His failure to pay his debts to the local merchants reacts necessarily upon their purchasing power. They, too, will live from a hand-to-mouth basis until the next crop comes along. They, too, are not in a position to expand their inventory or to make large commitments of any kind. The failure of the retailers to meet their obligations affects adversely the wholesalers, and so on down the line. The critical position of the farmer thus becomes apparent. If the situation of the Northwest is typical of the situation of the farming communities of the country, a revival of real business activity must wait in such communities, and probably in the country at large, until the next crop has been harvested.

COMMENTS ON RE-DISCOUNT RATE

The reasons which certain merchants give for or against the lowering of the re-discount rate are interesting, as revealing the business conditions of the community. The same Minneapolis hardware wholesaler above quoted favors a lowering of the discount rate and gives the following reason:

"Almost anything which would ease up on the banking situation would be of a material benefit to business. At the present time in the states outside of

Minnesota and Wisconsin the banks are not loaning a dollar even on gilt edged security as they are having a desperate struggle to keep their reserves up to the figure required by law. This is largely brought about by the fact that the farmers as a rule did not sell their grain crop and pay their debts in the usual way prior to January 1."

This answer is typical of those who ask for a lowering of the rate.

As typical of the answers opposed to the lowering of the re-discount rate, the two following may be cited:

"I do not believe that the lowering of the rediscount rate at this time will help the restoration of confidence or improvement of business. There are many lines of merchandise that have not yet been deflated, and until they are I think everything should be done to bring it about, so that we can all start afresh on a stable basis and a market that does not fluctuate more than normally."

"We cannot see that this would affect the situation very much now, as the liquidation that has taken place since has somewhat reduced the demand for money and we do not want to interpose any artificial barrier to legitimate deflation."

Are Property Statements Important?

By L. E. Miller

Goodyear Tire & Rubber Co., Denver, Colorado

THE concerns mentioned in a recent issue of THE CREDIT MONTHLY as claiming that there is no value in a property statement are overlooking the fact that they may be losing an appreciable amount of business through failure to secure such information as the financial statement presents.

My experience in credit granting has brought out again and again that I could assign larger credit limits on our accounts because I have the information best had through statements than I would have been willing to fix if I had not had the advantage of a statement. In a great many cases business men decline to give the mercantile agencies financial statements, and this is especially true of the men conducting comparatively small businesses. On asking these dealers why they refuse the agencies, they invariably reply that they cannot see the advantage of doing so. The fact of the matter is that they probably do not know themselves what the real value of their holdings may be and do not know how to go about finding out.

Right here is where the credit man is given the chance to help a man to become a better dealer and a better and bigger customer, capable of handling a larger business. We have had customers say to us that they had been in business for many years and had never given out a financial statement, and do not see

why it was necessary to give us one. After explaining to them the advantage of such a statement, nine out of ten of them "kicked in."

I have in mind one dealer in Idaho who had ordered material over the amount of credit we were willing to extend upon the information we had been able to obtain through mercantile reports and trade references. We called on the salesman making that territory to obtain a financial statement. He reported that his customer flatly refused to give a statement and directed a cancellation of the order. I made a special trip of about 900 miles to see this customer. After spending the larger part of the day with him, I finally convinced him that such a statement was in order, and when I left him I had the statement in my pocket. The statement was convincing that the customer was worthy of more credit than we had been willing to grant, and his order was filled complete. We collected our money according to date and terms of sale. Had we been unable to obtain the statement, we would have had to decline his new order. We would have lost not only his first big order, but all future business.

We have other customers on our books who at first refused to give us statements, but after they were made to understand, they volunteered to send the statements in at regular periods, some as many as three and four a year.

Bankers' Night

Buffalo.—The Buffalo Association of Credit Men recently observed a Bankers' Night. The speakers were Gilbert E. Chapin, manager of the Loan Department of the Federal Reserve Bank of New York City, and Henry H. Malm, Jr., of the Citizens' Commercial Trust Company of Buffalo. Mr. Chapin spoke on credit conditions as he was able to observe them from his central position. Passing as he does upon the commercial loans of the Federal Reserve, he was able to give his hearers valuable practical advice along the lines of establishing their credit standing with their bankers and through the latter with the Federal Reserve Bank.

Arnold A. Mowbray, head of the Membership Department of the National office, was also a speaker and called upon the members of the Buffalo Association to stand by their association and give it the normal increase in membership growth in spite of the unusual demands that are being made upon credit men individually at this time in connection with business readjustment.

At a recent Booster's Luncheon of the Buffalo Association the members heard Frank L. Campbell, of the Beaver Board Company, in a talk on 'The Credit Department as a Sales Asset.' Mr. Campbell contended that the credit man should make himself as valuable to his organization as the sales manager, and should be able to prove to the officers of the Board of Directors that the credit department is as important a constructive element in the business as is the sales department.

Foreign Trade Financing Corporation

Leaders in Its Organization and Operation

By Rowe William

THE personnel in charge of any enterprise is of paramount importance. For this reason it is a source of satisfaction that so important a project as the Foreign Trade Financing Corporation is in the hands of thoroughly competent men. The list of the Committee on Organization headed by Herbert Hoover was printed in the last issue of *THE CREDIT MONTHLY*. The four men most prominent in the formation of the corporation and likely to be most prominent in its operation are W. P. G. Harding, Fred I. Kent, John McHugh and Jerome Thralls.

W. P. G. HARDING

W. P. G. Harding, Governor of the Federal Reserve Board, was born in Greene County, Alabama, in 1864. He was educated at schools in the vicinity and took his A.B. at the University of Alabama in 1880, and the following year his A.M. degree, the youngest man to take full graduation honors at the university.

Beginning as a clerk and bookkeeper in the private bank of J. H. Fitts & Co., in Tuscaloosa, Ala., in 1882, he soon transferred his activities to the larger town of Birmingham, where he was cashier of the Berney National Bank during the ten years from 1886 to 1896. In the latter year he was appointed a vice-president of the First National Bank of Birmingham and continued to discharge the duties of that position



W. P. G. HARDING

until 1902. At that time he was made president of the same institution where he remained until 1914.

When the act creating the Federal Reserve Board was passed he was called in August, 1914, from Birmingham to assume the duties of a member of the Board. He served as a member until 1916, when he was appointed Governor.

When the United States entered the war and the War Finance Corporation was organized for the purpose of maintaining a general supervision over the finances of the country, he was made its Managing Director in addition to his work on the Federal Reserve Board, and continued in that position throughout the war.

As Governor of the Federal Reserve Board, he has directed the destinies of that organization through the greatest financial periods in the history of the country. His policy has always been one of conservative constructiveness and he has constantly urged the cooperation of the banking interests of the country with the industrial interests.

He has always believed that the banks of the country should lend all reasonable aid to further the working of public utilities. As Governor of the Reserve Board, he urged the formation of a banking pool for the purpose of rendering constructive banking service to utilities. He has taken the position that credit should be made a force for the upbuilding of industry and has constantly urged that the financial interests should take a constructive view of the question of farm credits.

During the war he concentrated the entire financial forces of the country upon the prosecution of the conflict. In the unsettled financial period which has followed the close of the war, he has constantly taken an optimistic view of the future.

He has taken a lively interest in the reestablishment of the foreign trade of the United States and has done much to further the movement. His stand has been that American banks should extend credit to foreign buyers and thereby make it easier for them to buy in the American market.

FRED I. KENT

Fred I. Kent has been Vice-President of the Bankers Trust Co., New York, since January 1, 1909, and is recognized as one of the leading experts on foreign exchange in the United States.

At the outbreak of the war he was appointed Deputy Governor of the Federal Reserve Bank of New York in connection with foreign exchange matters and held this position until he was appointed director of the Division of Foreign Exchange of the Federal Reserve Board. This division had in charge all of the financial operations between individuals, firms, corporations and banks in the United States, and those in foreign countries. After the Armistice he was appointed financial adviser to the Director of Sales in Europe of the War



FRED I. KENT

Department, and later served for the United States with the Reparation Commission in Paris.

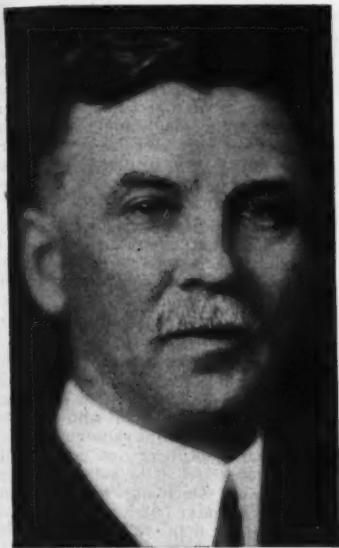
At the outbreak of the war he was in Europe and organized the American Relief Committee in London. At that time he was appointed Chairman of the London Bankers Committee, having charge of payments against letters of credit and travellers checks for the account of American tourists in Europe. It was this committee which had charge of distribution of the \$3,000,000 in gold sent to Europe on the U. S. S. Tennessee to meet the needs of Americans in Europe.

He was born in Chicago in 1869. He entered the First National Bank of Chicago at the age of eighteen. After working through all the departments of the bank he was made manager of the foreign exchange department. He was one of the organizers of the American Institute of Banking and its first president.

He is a director and member of the Managing Committee of the Bankers Trust Co., and a director of the Asia Banking Corporation, of the Credit Anversois of Brussels, and of the Overseas Corporation.

JOHN MCHUGH

John McHugh was born in Belleville, Ontario, in 1865. After less schooling than the ordinary youngster receives today, he started work at 18 as telegraph operator on the Grand Trunk at \$10 a month. He was soon advanced to another job where he made \$20 a month. For eight years he stuck to railroading, and in 1891 he left as division agent,



JOHN MCHUGH

refusing promotion, to "go west." He went to O'Neill, Nebraska, for a two weeks' stay—and stayed seven years.

From O'Neill he went to Sioux City, Iowa, where he secured an official position with the Iowa State National Bank. On the death of President George Wear, McHugh was made president; and here began his real constructive work. He consolidated four banks to form the First National Bank of Sioux City. It was from the presidency of that institution that he was called to the Mechanics & Metals National Bank of New York, in 1915.

JEROME THRALLS

Jerome Thralls, who has been named as an Executive Vice-President of the Foreign Trade Financing Corporation, has been Secretary-Treasurer of the Discount Corporation of New York since its organization, January 2, 1919, and was Chairman of the Organization Committee of the American Acceptance Council which has been an important factor in the development of the use of acceptance under the Federal Reserve Law.

Prior to that time he served for eleven years as Manager, Treasurer and Secretary of the Kansas Clearing House Association. He was Cashier and Secretary of the Federal Reserve Board, Kansas City, for two years, and resigned from that post to become Secretary of the National Bank section and the Clearing House section of the American Bankers Association. He did important work in organizing the banks of the country in the Thrift and War Savings Campaign from Washington. He also served as Secretary and Treasurer of the National Currency Association of Kansas City and St. Joseph. He was active in the fight for the placing of a Federal Reserve Board in Kansas City, which was one of the hardest waged at the time the system was formed, since it involved placing Federal Reserve Banks in two cities in the State of Missouri. He was largely credited with having brought the bank to Kansas City.

He was born in Mendon, Mo., and is well known among bankers throughout the country. He is thirty-nine years of age.

CORPORATION IMPARTIAL

This corporation will furnish credit furthering exports to no one country or section of the world but to every section of the world to which the extension of credit may be considered a sound business risk. As a question of the most businesslike operation risks will be divided among as many countries and sections of the world as possible.

Its facilities will further be available for no one section or group of industries in our country, but for every section and producing activity in the United States.

EFFECT ON FAR EASTERN TRADE

Business on the Pacific Coast has an interest in it because its facilities will be available for the exportation of western lumber, the products of canning industries, and the Far Eastern trade for which Pacific ports are clearing points to China, Japan, Australia and South America. Business of the great Middle Western section of the country has an interest in it because it will be available for assisting the sale of the products of fields and industries, whether shipped from Atlantic or Pacific Coast ports or down the great waterway of the Mississippi to every nation in the world. Business in the South is concerned with it because it can assist the foreign shipments of cotton, which comprise nearly seventy per cent. of the sales on which the welfare of the cotton-grower depends. Business in the manufacturing and productive centers of the Eastern Coast and of the Middle Eastern States has an interest in it because it can finance some of the great flow of goods passing from that territory through our Atlantic and Gulf seaports to the great markets of the world.

WHY IT WILL SUCCEED

The operation of the corporation on this scope is assured in the minds of the men who drew up the plan—

1. By its establishment under the Edge Law, an amendment to the Federal Reserve Act, and the supervision which that provides by the highest banking board in the land.

2. By the representative nature of the Chicago economic conference of last December which authorized its creation, representative both as to sections and groups of finance and industry; and by the representative nature of the Committee on Organization which has the work in actual charge.

3. By the distribution of the capital stock as widely as possible through every state and to every banker, manufacturer and producer possible in the nation—subsequently

and similarly by the distribution of its billion dollars of debentures.

4. By the control of the corporation, which will be in the hands of a Board of Directors representative of every section of the country in accordance with the Federal Reserve Districts, and of every phase of our business and producing activity.

NEED OF FOREIGN MARKETS

The conception of the corporation, as Charles H. Sabin, president of the Guaranty Trust Co. of New York, says, is "of a great national organization for placing the financing of American exports before the American people, keeping clearly in their minds the essential need of foreign markets and their prosperity, and asking them to make our continued establishment in these markets possible."

"Of the ability of the American people to solve this problem through the investment of their surplus funds in foreign securities and the financing of our export trade there can be no doubt."

LONG CREDITS

In summary, the corporation promises a new era in the credit considerations of every bank, manufacturing plant and commercial house in the country directly affected by foreign trade, a new era in the investment considerations of the American people and a new era in an understanding of foreign trade as a national asset. The producer who would sell abroad in the future must reckon in terms of two years, three years and five years, where he reckons in terms of sixty, or ninety or a hundred and twenty days to-day.



JEROME THRALLS

A State Without Insurance

Credit Men's Attitude Toward Situation in Mississippi

By Walker B. Mack

THE unhappy situation in Mississippi by reason of the withdrawal from the state of 139 fire insurance companies which up to November last had been writing insurance there, continues; and Mississippi merchants and property owners are having the utmost difficulty in securing fresh insurance policies to replace those expiring, if indeed they can secure any insurance at all.

The state has brought this calamity on itself through its officers, who maintain that their action against the companies is in line with the anti-trust laws of the state. Its seriousness is coming home to every property owner, who finds that unless mortgages are covered by insurance their payment will be demanded, that banks are demanding repayment of loans, and creditors generally are shutting off extensions, that lenders and sellers are not satisfied to loan and extend credit on the good standing of the debtor, but insist that the debtor protect his property against that common enemy fire, with sound insurance.

As Mississippi does not have within its bounds any insurance capital available, a few citizens have met their problems through mutuals and others by insuring at special rates on selected risks with companies that heretofore have not sought Mississippi business to any extent. These two methods, however, cannot begin to fill the gap caused by the withdrawal of the regular insurance companies, who are providing the bulk of insurance service all over the country.

The result in Mississippi will inevitably be what it has always been when similar attempts have been made by selfish or benighted state officials, a complete surrender of the state authorities. Strangely enough, incidents such as we have in Mississippi have as a rule occurred where the companies have found business comparatively unprofitable, as they have found it unprofitable, except in the unusual year, in Mississippi.

As the correction of this serious situation is in the hands of the executive department of the state, a letter has gone from the National Association of Credit Men to Governor Lee M. Russell of Mississippi, as follows:

"I am taking the liberty of addressing

you in behalf of the National Association of Credit Men, the largest commercial unit in the nation, comprising thirty-three thousand of the leading manufacturers, wholesalers and banks, relative to the action taken by the State Revenue Officer in Mississippi against various fire insurance companies, which had operated in the State.

"The retirement of these companies—and there was certainly no other action for them to pursue—has placed the credit interests in Mississippi in a perilous situation. Adequate insurance against fire losses is a condition precedent to safe credit granting, and so long as the people of Mississippi, especially those engaged in mercantile pursuits, are without the protection of the properly financed and stable fire insurance companies they will be at a very great disadvantage, and the whole interests of Mississippi, in our opinion, will suffer.

"We do not desire in this communication to express in any form whatsoever an opinion as to the reason for the filing of the suits and the retirement of the fire insurance companies, but we do know what results would follow, and I am begging in a very earnest way for a restoration of conditions that will permit the fire insurance companies to operate in Mississippi, and give to its property and to its credits the necessary insurance protection.

"An alarm has gone all over the country relative to this situation, especially to the manufacturers and wholesalers selling their commodities in Mississippi. Assuring you that this letter is written of our own initiative, and with the desire of having you understand what the sentiment is from the angle of an organization that has nothing in mind but the advancement of the nation's commercial interests and its credit powers, with the confidence that it will have your serious consideration, I am, with sincere esteem, respectfully yours, J. H. Tregoe, Secretary-Treasurer."

Cutler-Hammer on Cancellations

THE president of the Cutler-Hammer Manufacturing Co., members of the Milwaukee Credit Men's Association, has set out full information to all of his sales force regarding the policies which the company expects to pursue in the handling of cancellation proposals. This communication points out sufficiently clearly that the cancellation problem is not simply a personal matter, but that there are certain general principles which will control in each case. He says:

"From the purely legal standpoint, an order placed in proper form is a contract on the part of the vendor to deliver and the vendee to accept and pay. In the event of abrogation by the vendee, even if no actual work has been done, the

vendor suffers loss of profit reasonably expected under the contract, and, in addition, expense incurred in obtaining the contract, and he has the right of action to recover. If he has taken further steps in fulfillment of his agreement to deliver, by investment in plant, material, actual construction, or even clerical or engineering expenditure, he is entitled to adequate relief and the sum becomes a so-called 'cancellation charge.'

"There is no disposition on the Company's part to take advantage of its full legal rights, but it believes that it could take no attitude more injurious to industry under present conditions than that of permitting arbitrary abrogation of purchase contracts.

"The foundation of modern business is good faith, and its continuance depends absolutely on the recognition of the sanctity of contract. The man who deliberately and for his own advantage violates an agreement undertaken in good faith strikes a direct blow at the structure upon the integrity of which our whole present and future depends; but he is little more culpable than the man who weakly, in the fear of threatened later reprisal, permits such practice. Both of them contribute to the industrial chaos. As a matter of pure principle, the Company must and will resist every such attempt.

"On the other hand, the collection of cancellation charges, particularly of profit on work not actually performed, is repugnant to us and our effort is to attain reasonable adjustment, fair to both parties. The mere deferring of shipment will seldom constitute such an adjustment. It leaves the vendor definitely committed to performance at an indefinite, future date, and the vendee without essential obligation. Its unfairness is manifest.

"Where an agreement of this nature is reached, it must embody the period and conditions under which the vendee will perform and it is our belief that if each specific problem is approached with full recognition of the responsibilities and respective difficulties involved, and with a determination to co-operate to mutual advantage, a satisfactory solution will be found. In some instances, cancellation and the payment of adequate compensation may be the only basis found possible, but we believe this to be the least desirable adjustment from all viewpoints.

"The bulk of the commitments upon which cancellation is now being asked will ultimately be required; and we are confident that in the majority of instances acceptable methods will be found for supplying them. We are anxious to make such arrangements wherever they are in any way possible, and will co-operate freely and earnestly to that end. Where, however, the intent is cancellation in the immediate interest of the purchaser, or with the idea of ultimately reordering from us, or others, at lower price, the condition becomes one of departure from business integrity, which we must resist to the limit of our ability. We have a reputation for fair dealing, which we will not jeopardize for temporary consideration, and we have no doubt that we will be met in the same spirit.

"This letter is in no sense confidential and you are quite at liberty to show it to customers or others as may seem to you desirable."

Information Wanted

Members of the Association having information regarding Albert Bartlebaugh, Glen Campbell, Pa., are asked to get in touch with the office of the National Association of Credit Men.

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Come West, Credit Men!

Night Letter of 480 Words to The Credit Monthly from

Thomas M. Earle

President, San Francisco Association of Credit Men



FIRST VIEW OF SAN FRANCISCO ARRIVING FROM OAKLAND

YOU remember Horace Greeley's advice. Now is your time. Come, Credit Men; come West! When William Howard Taft was President, he said San Francisco was "the city that knows how." We intend to show the Credit Men of the nation that President Taft was right. We are beginning March 16 a membership campaign to bring the membership of the San Francisco Association of Credit Men up from seven hundred to one thousand, so that as hosts we will have represented in our rolls every credit man of northern California. The business and financial interests of this city and of the West realize the tremendous importance of a gathering of National Credit Men at this great West Coast me-

tropolis. The press is keenly alive to the significance of this event and is giving splendid co-operation.

Just how big the interest is in the coming Convention here and the spirit towards it business and financial circles are showing, can be indicated when we tell you that with practically no solicitation there has been received from Credit Men through the mails during the past week contributions for the expenses of the Convention totaling ten thousand dollars.

All committees are organized and will have full details of entertainment program and care of delegates, their wives and families, one hundred per cent plus. Aside from the business of the Convention being arranged for, are a boat trip to the

noted points of interest on San Francisco Bay, an excursion to the top of the famous Mount Tamalpais, over the "crookedest railroad in the world," where there will be held a moonlight dance. An automobile trip has been arranged covering the famous drives in and around San Francisco, the bay and the ocean, covering the Presidio, Golden Gate Park and the coast line boulevard. Travelers declare that this drive now parallels, if it does not excel, any scenic drive any place in the world, not even excepting Naples.

At the Palace Hotel, Tuesday night, June 14, will be held the President's Ball and Reception. Headquarters will be at St. Francis Hotel, with ladies' headquarters at the World.

Los Angeles to Keep Open House

Night Letter to THE CREDIT MONTHLY from

F. B. McComas, Los Angeles

ALL Pacific Coast Associations are joining San Francisco in an effort to make the June Convention of the National Association of Credit Men a memorable one. This is the first Convention ever held on the Pacific Coast, and the event is appreciated by our Western members. I sincerely hope that every man who can will attend this convention and become acquainted with the West and its wonderful opportunities for doing business. Los Angeles will keep open house during Friday and Saturday prior to the Convention. Route all tickets via Los Angeles!

Rare Opportunity for a Credit Man

By C. E. Thomas

Credit Manager, U. S. Steel Products Co., N. Y.

ATTEendance at the annual conventions of the National Association of Credit Men is valuable in many ways. The next convention in San Francisco affords special opportunity to extend acquaintances and cement friendships; to study conditions of finance and

trade in distant parts of the country; and to discuss problems privately or publicly (if so desired) with other credit men.

It gives a special opportunity to call upon customers who are so distantly situated that they are seldom visited by any one from the head offices of Eastern suppliers. I know that customers appreciate such calls and the credit man usually profits by coming into personal contact with the customer and knows better how to handle the account thereafter.

THE CREDIT MONTHLY

These calls also enable credit men to smooth out the little difficulties or irritations that sometimes occur and often seem only to be increased by correspondence, although both sides have only one desire, to see them settled fairly. A few minutes face to face usually clears the whole situation and closer co-operation results thereafter.

The Convention in a Class by Itself

By D. R. Carson

Asst. to Pres., Central Natl. Bank of Philadelphia

THERE is as much difference between conventions as there is between people, but the Annual Convention of the National Association of Credit Men is in a class by itself. No one has ever attended a convention of our National Association that has not returned home with a keener interest in his work and a higher appreciation of what the profession of credit grantor means to commerce.

A description of the Convention of 1921 should be immensely interesting to those living on the Atlantic seaboard.

The pictures on these two pages and on pages 8 and 9 of our March issue were kindly supplied by the Santa Fé Railroad



MISSION SAN DIEGO—"WHERE CALIFORNIA BEGAN"

MISSION SANTA BARBARA AT SANTA BARBARA

MISSION SAN GABRIEL—NEAR LOS ANGELES
MISSION SAN JUAN CAPISTRANO, BETWEEN LOS ANGELES
AND SAN DIEGO



EASTER SUNRISE SERVICE—RUBIDOUX MOUNTAIN, RIVERSIDE
VIEW FROM SMILEY HEIGHTS, REDLANDS

GLENWOOD MISSION INN, RIVERSIDE
ARROWHEAD HOT SPRINGS

The Central National Bank of Philadelphia has always been an active factor in the local Association, and at the present time has five memberships. We heartily endorse the sentiment as expressed by the president of the National Association, Mr. Koelsch. We are going to make a practical demonstration of our approval by having a representative go to the convention, and the writer hopes to be the one selected. Kindly book us for reservation for the entire trip. We are sure you will be successful in securing a full complement for at least one train. The possibilities of attending such a convention under such conditions cannot be computed from a monetary standpoint.

Membership Drive Starts With Rush

Telegram from C. C. Beck
Vice-Chairman, National Membership Committee

SAN FRANCISCO, March 16.—Membership drive started today. One hundred and one applications turned in. Drive will continue 18th and 22nd and firmly believe number already obtained will be doubled or tripled. We are already over the top.

San Francisco, June 14-17

Details of Trip to National Association of Credit Men's 26th Convention

By W. W. Orr

THE San Francisco Association is heralding throughout California the coming of the credit men of the nation to the Pacific for the twenty-sixth annual convention of the National Association of Credit Men. The members are pointing out that there could be no more important convention than this which San Francisco is to entertain, because the Credit Men's Association embraces our banking and commercial interests, which, to so large an extent, guide the financial course of the United States.

These men are coming together to take council as to the policies which should rule under the trying conditions of the year in credit circles that the nation's commerce may be directed out of present uncertainties to soundness and prosperity.

Every San Francisco committee is alive to the part it has in making

ready for a convention every delegate to which will feel that he has made the most worth-while journey of his life and will return home satisfied that the utmost was provided to make the twenty-sixth annual convention memorable. The Finance Committee has no doubt of its ability to care for every requirement of a busy five days. The Entertainment Committee is going to make the most of the unusual attractions of San Francisco for the visitors. The Publicity Committee is going to see to it that all citizens of California shall know what the Credit Men's Association stands for, and the significance of the convention being held in their midst.

The Convention Committee is calling into service the best speakers that the eloquent State of California can produce, and the Hotel Committee seeing to it that every possible

comfort and convenience shall be enjoyed by every delegate.

In the trumpet call to come to California, the San Francisco Association says:

"While this is the 26th Annual Convention, it is the first that has ever been held on the Pacific Coast. Typical of the California spirit, our committees are determined to 'put across' the greatest convention, both from an educational and entertainment standpoint that has ever been undertaken by the credit men.

"Never will a committee have provided such an opportunity for the credit men of the North, East, South and Middle West to obtain first-hand knowledge of conditions throughout the country."

With all these provisions it is fair to expect every member and every local association not to think lightly on the question: "Shall or shall not this convention be well attended?" All should remember that the Association at large must reciprocate the enthusiasm of the San Francisco Association and, even at personal inconvenience, respond to the call to come to San Francisco.

More opportunity is had for the exchange of experience and ideas on this trip than is usually the case, simply because of the greater distance that a large number of the delegates must traverse to reach the convention. The plan has been formed to go to the convention by special train so scheduled that there will be the fullest possible opportunity to see a large part of the country under the most delightful auspices. The schedule is as follows:

TRAIN SCHEDULE

Leave New York Saturday, June 4, over New York Central Line, 5:30 P. M.
Leave Chicago over the Santa Fe Sunday, June 5, 6 P. M.

On Monday morning, June 6, a stop-over at Kansas City, with the members of the Kansas City Association—three hours.

Tuesday, June 7, Albuquerque—one hour.

Wednesday, June 8, a day at the Grand Canyon, leaving just after sunset. Breakfast, luncheon and dinner at El Tovar Hotel. The famous rim ride.

Thursday, June 9—day about Riverside and Smiley Heights with automobile trips and dinner at the famous Mission Inn; arriving at Los Angeles 10 P. M.
Thursday, June 9. Accommodations provided at Alexandria Hotel.

Two days will be spent with the members of the Los Angeles Association, and the start north made on the morning of Sunday, June 12, with afternoon and evening at Santa Barbara, luncheon and dinner at Ambassador Hotel and automobile drive to Missions.

Monday morning, June 13, at Del Monte (Del Monte Hotel, breakfast and luncheon, and famous seventeen mile drive) arriving at San Francisco, 6 P. M.

Tuesday, Wednesday, Thursday, Friday and Saturday, June 14-18, will be given to the San Francisco convention. During stay in San Francisco, neither lodging nor meals are included in all-expense plan but members of party and baggage will be transferred to hotel.

The return will be by the northern route. Canadian-Pacific Railroad, Saturday, June 18, leaving San Francisco at 10 P. M.

Sunday, June 19, en route, with a short stop at Shasta Springs.

Monday, June 20, the entire day spent with the members of the Portland Association of Credit Men. Luncheon and dinner at Hotel Benson.

Tuesday, June 21, morning with members of Tacoma Association and afternoon and evening with Seattle Association of Credit Men. Dinner and lodging at Hotel Washington.

Wednesday, June 22, Canadian-Pacific Steamship from Seattle to Victoria and Vancouver—all day trip on Puget Sound.

Thursday, June 23, Canadian-Pacific Ry. passing through Fraser River Canyon.

Friday, June 24, the day and evening at Chateau Lake Louise. Luncheon and dinner at Chateau.

Saturday, June 25, the day and evening at Banff Springs Hotel. Luncheon and dinner at hotel.

Sunday, June 26, passing through the great provinces of Alberta and Saskatchewan.

Monday, June 27, the day spent at Winnipeg with the members of the Canadian Credit Men's Association where a hospitable welcome is assured.

Tuesday, June 28, day with members of the St. Paul and Minneapolis Associations. St. Paul Hotel for luncheon and dinner.

Wednesday, June 29, a stop of two morning hours at Milwaukee, with members of the Milwaukee Association, then via Chicago directly home, arriving in New York, Thursday, June 30, at 5.25 P. M.

MAKE-UP OF TRAIN

The train will consist of section and drawing room cars, compartment cars, club and observation cars, the same equipment being provided during the entire round trip.

THE ALL-EXPENSE PLAN

All who have taken part in an all-expense trip will agree that it offers the most satisfactory arrangement. The fact that before one starts virtually all money arrangements have been made for all features of the trip—even to the details of transferring to hotels and to taking the train—counts for much in the freedom, ease and good fellowship of the travelers.

Under the plan the dining car becomes as informal as the dining room of one's home, and those in charge of the train have the advantage of knowing what to provide down to every detail. Even though there were no saving for the individual in cash outlay, there is a great increase in comfort and satisfaction, in efficiency in handling the party so that it shall get the most out of every day of the trip. *One traveling independently could not possibly get as much as is provided under this plan, though he used the same route.*

Arrangements are being made with local associations everywhere along the trip and assurances are

flowing in that everywhere there will be a hospitable welcome extended to members of the party.

Under the all-expense plan every item is covered except the meals for the two days at Los Angeles and lodging and meals at San Francisco. Our party at these points will be so scattered that it would be impossible to handle them on the all-expense plan. The flat price covers transportation, Pullman, meals on train, on steamer and at hotels, automobile trips, transfers, etc., but, of course, does not cover fees.

While the railroad companies have not been finally informed as to rates it is safe to say that the figures on the basis of lower berth will be approximately \$530 from New York, and for two persons in a compartment each \$555. As stated above, this figure does not include meals at Los Angeles nor lodging and meals at San Francisco.

As far as it is physically possible, without overcrowding the special train will serve the members of the Association in New England, Albany, Utica and other points along the line to Chicago. There has already taken place a brisk booking for the train.

Rates (also approximate) from other points are:

	Lower Berth	Compartment (each)
Boston	\$525.00	\$548.00
Albany	516.00	542.00
Utica	510.00	535.00
Syracuse	500.00	520.00
Rochester	493.00	515.00
Cleveland	472.00	495.00
Toledo	466.00	490.00
Detroit	470.00	493.00
Chicago	440.00	465.00

Reservations should be made as early as possible through the National Office of the Association, 41 Park Row, New York.



ST. FRANCIS HOTEL, CONVENTION HEADQUARTERS

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To Discuss Mutual Problems and See Country

By A. F. Maxwell

2nd V. P., Natl. Bank of Commerce in New York

I AM very much pleased to learn of the plans for the special train to the convention in San Francisco. The 1915 trip proved so beneficial and interesting, was so full of the pleasure and so free from the inconvenience of travel, that I would like to make my reservations for this unusual outing.

The opportunity is afforded to become better acquainted with credit men of your own and other cities and discuss mutual problems en route which is difficult during a large convention owing to the activities and number in attendance. To know your own country better from personal observation, make new friendships and renew old ones is of distinct business advantage and the pleasure of the trip is remembered long after the cost is forgotten.

Splendid Fellowship of Convention Trip

By C. P. Snow

Vice-Pres. Huntington (W. Va.) Banking & Trust Co.

I AM quite sure that anyone availing himself of the splendid arrangements offered by the National Association of Credit Men to make the trip to the San Francisco Convention in June by special train will

feel that he has had the trip of his life.

Mrs. Snow and I made a trip with the credit men on one of these special trains about five years ago, and it was well worth the while from the standpoint alone of the mingling with old, and the making of new friends, and the splendid fellowship existing all the way through. The advantage of traveling with a congenial party of friends as compared with traveling independently cannot be exaggerated. The attention given such a party by the business men and associations in the various cities visited could not be expected by anyone traveling individually. We cherish many pleasant memories and friendships made on this trip.

The photographs on this page, taken at Lake Louise and Banff in the Canadian Rockies, were kindly furnished by the Canadian Pacific Railroad.



LAKE LOUISE, ALBERTA

Koelsch on Convention

Pittsburgh.—In a recent issue of the weekly bulletin of the Pittsburgh Association of Credit Men appeared the following strong Convention message from President W. F. H. Koelsch of the New Netherland Bank of N. Y., President of the National Association of Credit Men:

"A great convention makes a fitting climax for a year of association achievements and gives promise of another year of progress.

"It means much to the president of such an association as ours to be able to greet a large and enthusiastic convention, and I write thus early because our convention for June, 1921, is likely to be held in San Francisco, and it will mean for most busy credit men a little more time and preparation than usual to get ready for the trip. I want to urge upon local associations and members that even at this early date they lay their plans to be better represented than ever before.

"We plan to make the convention the greatest educational event in our history, and give opportunity for an exchange of views and experiences that will give every delegate a new equipment for his work, make him better able to direct the credit policies of his house, and help business come safely through the readjustment period.

"The fact that most of us must journey far is an advantage at this time, for we need especially now to know just what are the conditions in every section of the country. This knowledge we get best by traveling over the country and talking with the men who are in the midst of the intense activities of each section.

"I again urge upon all members to give thought at once to the unusual opportunities to be offered by our 1921 convention."



BANFF SPRINGS HOTEL, BANFF, ALBERTA

Credit News from Coast to Coast

Bridgeport Activities

Bridgeport.—C. R. Snoke, The Bulard Machine Tool Co., newly elected president of the Bridgeport Association of Credit Men, writes: "At our regular meeting next Tuesday evening, at the Sea Side Club, in Bridgeport, dinner will be served. We have arranged with E. Frank Gaudineer, of the Irving National Bank of New York, to speak on 'Conditions Here and Abroad.' Guy P. Miller, of the Bridgeport Brass Company, will also speak on the subject of 'Present Credit Problems.' A male quartet has been engaged for the evening, and we expect to have an enjoyable meeting."

Besides President Snoke, the following have taken office:

C. R. Snoke, president; W. B. Coleman, vice-president; G. L. Moore, treasurer; A. C. Macy, secretary.

Executive Committee: C. L. Wootton, E. L. Fletcher, L. M. Allen, J. G. Shapiro, R. D. Cate, A. J. Porter, D. C. McCarthy, E. S. Wolfe, A. N. Wheeler, H. F. Stenstream, S. A. Cutting and H. Hounslea.

Inter-Change Bureau: H. Hounslea, chairman; C. E. Hutchinson and B. J. Calkins.

Meetings Committee: L. M. Allen, chairman; F. Bruel and H. F. Noyes.

Legislative Committee: J. G. Shapiro, chairman; Wm. Nothnagle and T. A. Kirkham.

Entertainment Committee: R. D. Cate, chairman; N. Benham and C. W. Gardner.

Holding Committee: D. A. McCarthy, chairman; Robt. Beers and A. J. Porter.

Membership Committee: A. N. Wheeler, chairman; H. F. Stenstream, F. J. Green, A. Hogenauer, G. J. Stanford, H. L. Blackman, I. R. Harney and Mr. Kemper.

Publicity Committee: S. A. Cutting, chairman; C. W. Foote and H. Shaw.

Auditing Committee: L. R. Edwards, chairman; B. J. Calkins.

Growth in Charleston

Charleston.—The Charleston Association of Credit Men has elected as its president for the coming year F. D. Drumheller of the Kanawha Valley Bank, succeeding D. P. Reed of the Kanawha Manufacturing Co., who has been serving the Charleston Association with great success.

Charleston also has installed a secretary, who is to devote his entire time to the welfare of the organization in conjunction with the interests of the Tri-State Credit and Adjustment Bureau. The new secretary has already begun to build up membership of the Charleston association and Charleston expects to go well beyond the membership goal set for it by the national committee.

Constructive Business Talk

Charlotte.—John M. Miller, president, First National Bank, Richmond, Va., recently addressed a business meeting of the Charlotte association in the assembly hall of the Southern Manufacturing Club, Charlotte, N. C. Eighty-eight manufacturers, wholesalers and bankers were present and listened to what the Charlotte newspapers described as the most able, constructive business talk ever made in this city. It has been the subject of not

less than five different editorials in Charlotte newspapers and has been widely quoted in neighboring states. President L. M. Hipp, Sehorn and Hipp, presided.

Pupils and Teachers Learn About Credit

Chattanooga.—President Longgley, of the Chattanooga Association of Credit Men, writes of a step taken by his organization which other credit men's associations might also well take.

To one of its recent meetings, the association invited members of the senior classes of the preparatory schools, also the schools of the city and junior high, together with their principals. They heard W. M. Bonham make an address on credit in which he treated "Character, Capacity and Capital." Mr. Bonham showed forcefully how much habit has to do with character and capacity, and how capital is acquired by the young man if the first two elements of credit are present.

Other credit men made brief talks in which they brought out of their experiences, examples which show how honesty and fair dealing make for solid and permanent success.

Both principals and students expressed themselves as greatly pleased. One principal asked Mr. Bonham if he would not repeat the address before his entire school.

Cincinnati Expanding

Cincinnati.—On February 1, the Cincinnati Association of Credit Men moved from its old offices in the Union Trust Building into larger offices in the Citizens' National Bank Building. President Gruen and Secretary Byland extend a cordial invitation to all members to come in and look over the handsome new headquarters.

Two hundred credit grantors attended the recent meeting of the association, which was addressed by Secretary-Treasurer Tregoe.

Saved \$900

Cleveland.—George A. Luttner of the United Electric Company at Canton, walked into the office of the Credit Interchange Bureau of the Cleveland association the other day to make an inquiry concerning the service to which he subscribes.

"How do you like the service?" He was asked, according to the Cleveland association's bulletin.

"It saved me just \$900 on one order yesterday; that's the best answer I can give," was his reply.

If you want to know how Mr. Luttner saved that \$900, which will pay for his Interchange service for many years to come, just write him a letter and ask him about it.

Columbus Bulletin Proposed

Columbus.—At a recent meeting of the Columbus association, Vice-President A. J. Frame gave a Babson Review of Business Conditions, and Beman Thomas, of Beman Thomas & Co., public accountants, presented an interesting paper on recent rulings on the Income Tax Law. Each address was followed by a thorough discussion.

The question of the Columbus association issuing a monthly Bulletin came up and it was decided that the work

of the organization would be greatly helped if the members received from their local offices each month a bulletin containing items of interest and plans for the association's work.

Take Care of the Farmer!

Chicago.—A profound impression was made on the large number of members attending a recent meeting of the Chicago Association of Credit Men by the address of A. R. Kroh, on "Agricultural Conditions and their Relation to the Business Outlook." Mr. Kroh is a dynamic speaker, and in his address he drove home facts relating to the importance of agriculture as the only source of basic wealth.

He prefaced his remarks with some pointed observations on pessimism versus optimism. Speaking of the present depression, he said: "If you are down in the mouth because of poor business, did you ever see a hen stop scratching because the worms were few?" He declared that conditions in the United States are immeasurably better than in other countries, and that there are to-day 250,000,000 people in the world who are existing on an average of less than one meal a day.

Mr. Kroh is an authority on agriculture, having traveled all over the country collecting statistics on agricultural conditions, their economic significance and relation to business in general. He is likewise a practical farmer himself, owning and managing a large farm near Las Vegas, N. Mex.

Here are excerpts from his address:

"In 1910 the Government, in a bulletin on exports and imports of food stuffs, declared that during the past year the United States had imported as many dollars' worth of food stuffs as we had exported, and in the strict sense of the word we were no longer an exporting nation as far as foods were concerned."

"In 1840, we find 5,000,000 people living in cities, consuming food, and 26,000,000 living on farms, producing it; a total of 31,000,000. In 1880 we still had 70 per cent. of the people living on farms, producing, and 30 per cent. in cities, consuming. At the present time, we have over 105,000,000 people. The last census shows that 84 per cent. of the total population live in cities of 2,500 and over. Why they thus camouflage the situation is more than I can understand. A man living in a city of 2,000 is not a farmer or a producer of food stuffs. Close analysis shows that we have 28 per cent. living on farms, producing, with 72 per cent. living in cities, consuming. The last census shows that only 13,500,000 men are tilling the land to produce food for 105,000,000. Ten million Americans have moved from farms since 1912. The average age of the American farmer is forty-six, and there are only 13,800,000 left."

"Five State agricultural colleges in the West a year ago went to Kansas City and bought 250 steers, fifty to a college, and fed them under scientific methods. In the spring they sold them at a loss of \$52 a hundred, calling attention to the fact that the average farmer, using unscientific methods, was selling them at a much greater loss. Someone might say I was taking a whack at the packer, but I am not. The packer today isn't getting rich, whatever he may have done in the past. There is no one man to blame. All of us are to blame."

"If you are connected with a wholesale house, and have traveling gentlemen, manipulators of expense sheets, and they go into a certain village and say to the merchant: 'We would like to sell you a bill of goods, in the spring for fall delivery, or in the fall for spring delivery, the merchant will say: 'Sorry, we can't do it. The farmer has gone broke. He isn't getting money for his wheat. He has no buying power. Unless he buys, we can't buy. He is our sole source of revenue.' Immediately the traveling man sees his account slipping, and he makes his hotel bill a little larger, and he puts in for parlor car fare when there was no such thing on the train, and he reports quite in detail the reason for not getting the order. He says the farmer is broke and the merchant broke, and he passes that on to you fellows in the distributing business in Chicago. That comes from all over the country, and we cheat things over and find we can't buy quite as much from the manufacturing concern as we

could if the producer of basic wealth was prospering. So we find the manufacturer, distributor, and retail merchant starving, and just outside the window we see the face of the starving farmer. We get around the circle, like the dog chasing his tail.

"Unless the farmers succeed in this country, your business will go to pot. Just as sure as the world goes round, the farmers have organized. They are reading and studying and becoming intelligent. They are thinking, and reaching a realization of power, and with that power will come evolution, and possibly revolution. We can stop it only to the extent that we co-operate and adjust the tariff and adjust all business in this country, so that the farmer can learn his exact cost of production and demand a legitimate profit. We must see that he gets it, and we must keep him prosperous, for he is the producer of all basic wealth."

Dayton Adjustment Bureau Started

Dayton.—The Board of Directors of the Dayton association has authorized the establishing of an adjustment bureau to operate under the rules and regulations of the National Association of Credit Men. The budget for the first year's operations has been fixed at \$5,000, and a committee has been appointed authorized to raise this sum on the underwriting plan. That which each member subscribes is to be paid back in the form of service rendered during the year, or if there is failure to render the equivalent service, the expectation is to refund the amount of the subscription. The bureau is to be incorporated. Secretary Nolan reports that \$2,000 toward the budget has already been promised, and the work is but just begun.

The Wise Salesmanager

Detroit.—"C. M." tells this true tale in the latest issue of the monthly bulletin of the Detroit Association of Credit Men:

Toward the end of a rush day in the Credit Department, the Sales Department rushed in a bunch of orders for immediate shipment. (No, this did not happen in the last four months.)

The Credit Man O.K'd them all but one, which was a new account and alas! it had not one redeeming virtue. They had little funds and no experience. They had a high rent store and expensive fixtures. They needed a large stock and a darned large credit. So he sent the other orders through for shipment and refused to check the new account.

The Sales Manager rushed in much out of breath, with fire in his eye.

"Why, Mr. Credit Man, have you turned down that order?"

"Because, Mr. Sales Manager, it is no good."

"No good? If you had the money back of those people you could buy the City Hall!"

"I don't want the City Hall and neither does the firm, but if this customer has such an unlimited supply of funds it seems strange that I cannot find any of it in the Agency report."

"Hang the report," snapped the Sales Manager. "I tell you your brother-in-law is a millionaire and a business man besides, and he is backing them."

"That's real news," said the Credit Man, searching through his desk and finally holding out to the Sales Manager a printed blank. "Now you fill out this guarantee covering all purchases of this store from us for one year from date and have this lucky brother-in-law sign on the dotted line and we will all be happy."

Four months have elapsed and again it is a busy day. The Sales Manager walks serenely into the Credit Man's office and calmly announces: "Wasn't it a good thing I got that guarantee on so and so! They went into bankruptcy yesterday and probably won't pay ten cents on the dollar."

Federal Reserve Prevented a Panic

Evansville.—Harry F. Pavey of Indianapolis addressed a well-attended meeting of the Evansville association. He declared that the Federal Reserve Bank had stopped inflation and had saved the

country from a panic. He prophesied that the last half of 1921 would be very prosperous.

New Huntington Officers

Huntington.—At a very interesting session of the annual meeting at the Farr Hotel, the following officers were elected for the ensuing year: President, Harry S. Potts, Norvell Chambers Shoe Co., Huntington, W. Va.; 1st V-P., W. W. Magoon, Blue Jay Mfg. Co., Huntington, W. Va.; 2nd V-P., J. O. Mathewson, Ashland Millin Co., Ashland, Ky.; 3rd V-P., Geo. W. Gibbs, Logan Grocery Co., Logan, W. Va.; Sec.-Treas., C. C. Harrold, Tri-State Credit and Adjustment Bureau, Huntington, W. Va.

Address at Indianapolis

Indianapolis.—C. E. Sullivan, vice-president, Merchants National Bank of Indianapolis and second vice-president of the Indianapolis Association of Credit Men, made an address which has created wide interest throughout Indianapolis, at a recent meeting of the Indianapolis association. In his speech he covered bank credit and merchandise credit; the relation of financial accommodation to commodity credits; mutual interests of the bank credit department and similar agencies of the merchant and manufacturer; the bank and its relation to merchandise credits, and how a bank credit department functions.

Kansas City Meeting

Kansas City.—Secretary Tregoe spoke on the present business conditions before the members of the Kansas City association recently. Among those present were fifteen members from the St. Joseph association. He presented a résumé of the events in the commercial world from which one could conclude what are the causes of the present situation in American business. He predicted a real improvement in business and based his conclusions on the fact that the country's financial structure is fundamentally sound.

Other speakers were President Page of the St. Joseph association, P. E. Parrott, a director of the National Association, and B. B. Tregoe, manager of the Foreign Interchange Bureau.

Chairman O. U. Hoover, of the Membership Committee, reported on the drive his committee is making to build up the association to reach the goal set for it by the national office.

Kalamazoo Committees

Kalamazoo.—The following committee chairmen are in charge of the various activities of the Kalamazoo Association of Credit Men: W. N. Sidnam, chairman, Mercantile Agency & Credit Methods; Geo. W. Taylor, chairman, Entertainment; E. S. Rankin, chairman, Bankruptcy Law, Banking and Currency; F. A. Lemke, chairman, Fire Insurance; F. D. Fuller, chairman, Legislative; F. H. Bowen, chairman, Adjustment Bureau Activities; S. Ward Kennedy, chairman, Membership; A. L. Waldo, chairman, Business Literature.

New Lansing Officers

Lansing.—The following are the newly elected officers of the Lansing Association of Credit Men: Floyd M. Odell, Lansing Stamping Company, president; George O. Tooley, Youngs Tooley Company, vice-president; H. S. Terwilliger, City National Bank, treasurer; J. Earle Brown, secretary. The directors are M.

C. Rider, Gregory-Mayer & Thom Co.; F. E. Baker, R. N. Arbaugh Co.; F. De Kleine, Allen & DeKleine Co.; W. A. McDonald, Connor Ice Cream Company; and W. B. Thoman, Thoman Milling Company.

"Credit Chemistry"

Lehigh Valley.—Alexander Wall of the Robert Morris Associates was a speaker at the meeting of the Lehigh Valley Association of Credit Men held in February. Mr. Wall stated that he did not agree with those who had expressed the view that there will be a rapid return to the pre-war condition, for, said Mr. Wall, the nation's war indebtedness will prevent a rapid readjustment. He looked, however, for an improvement in industry which will be steady and sure.

Mr. Wall said that his organization was working on what he termed "credit chemistry," which comprises research work with exacting analysis in the credit field.

He declared that the "two to one" bank credit ratio is largely fallacious, and showed that the main weakness of the credit ratio is that it does not take into consideration the quality of the asset, but simply its bulk, that under the new method there must also be a qualitative analysis, for quantity is not so important as quality. The man who makes fast turnover is the better risk, said Mr. Wall, because fluctuations of the market do not so vitally affect him. Speaking of merchandise inventory and of deceptions practiced by debtors in inventory, he said that these may be detected by analysis. Many plants are suffering today from the desire to increase volume in a way not in accord with economic laws and conditions. The rule is to measure the sales as against the net worth and the ratio denotes normality, abnormality or sub-normality.

President George T. Haskell presided, and Secretary Reinhard spoke of the conference of the Pennsylvania and New Jersey Associations of Credit Men to be held at Allentown in April. He also announced that five new members had been received into the association, bringing the total membership to one hundred.

Kentucky State Conference Topical Songs

Lexington.—One of the factors that contributed to the great success of the Kentucky State Conference of credit men held at Lexington in February was the topical songs sung to familiar airs by the 150 credit men assembled at the banquet. To C. F. Dunn, Secretary of the Board of Commerce, was ascribed the authorship of the verses. One song was aimed at Secretary-Treasurer Tregoe, who addressed the Conference and acted as quizmaster at the general session. It is the first of those printed below:

"GLORY, GLORY HALLELUJAH"

Bring out your affidavit, boys,
Hold up your hands and swear,
Abandon Ananias and
All doubtful things beware,
The "Gen-er-al" is with us
So, let's exercise some care
As we go talking on.

Tregoe is a mighty quizzer,
Tregoe is a mighty quizzer,
Tregoe is a regular whizzer,
As he goes talking on.

We've heard of General Pershing, he
Defeated Kaiser Bill,
And General Bis Depression, who
So lately tapped our till,
But "Gen-er-al Discussor"
Is the bird who shoots to kill
As we go talking on.

"BLOWING BUBBLES"

We're forever boosting Bethel
Old Kentucky's clothing king.
He flies so high, up to the sky
In oratory—that is why
Peyton's on the program
Here and everywhere.
He's forever blowing bubbles,
Pretty bubbles of hot air.

"OLD BLACK JOE"

Gone are the days when profits were in style,
Gone are the days when sugar was worth
while,
Gone are the times when Power wore a smile,
I hear those gentle voices calling, "Dough,
No Dough."

I'm bumming, I'm bumming for my bank ac-
count is low,
I hear those gentle voices calling, "Dough,
No Dough."

"LONG, LONG TRAIL"

There's a long, long name a-winding
Into the program tonight,
It uses up the alphabet
And runs clear out of sight;
Oh, it's B-R-I-Z-E-N-
D-I-N-E, Bris-en-dine,
You sneeze it and you wheeze it
Down that long, long trailing line.

The musical hit of the evening was the
final song, a serious one, that bids fair
to become the national anthem of credit
men. It was sung to the tune of

"AULD LANG SYNE"

Should "Vigilantia" be forgot
And never brought to mind,
When in its ranks so fine a lot
Of loyal friends we find?

Should auld acquaintance be forgot
In your heart and in mine,
When meetings such as this have wrought
Such charms of auld lang syne?

Big Regular Meeting

Los Angeles.—The regular monthly dinner was attended by 291 members of the Los Angeles Association.

Somewhat of an innovation was inaugurated in "Four-minute Addresses by Credit Men" who are members of the Public Speaking classes now being conducted. These snappy talks along credit lines were well received.

Prof. H. J. Stonier gave a short address on "Credit Men as Thinkers and Speakers" and brought out some good points pertaining to public speaking as an asset for credit men.

Dr. William H. Crawford, president emeritus of Alleghany College, Pittsburgh, spoke on "A Business Man's Opportunity." He made a plea for scholars and educated men to come out and take an active part in the affairs of government and said this also applied to business men. To eliminate lobbyists and put good government first, credit men have a duty to perform.

John G. Mott talked on "Mexico." He stated that Mexico was a land of opportunity. America should share with Mexico in the fruits of labor in that great productive country. Conditions look bright politically and industrially. A new order exists today in Mexico. In a crisis a man usually arises to meet the occasion. This man in Mexico today is President Obregon. He bears a striking resemblance in many ways to our own Theodore Roosevelt and under this administration legitimate American business enterprises need have no fear.

Norvell at Lynchburg

Lynchburg.—Vice-President Norvell attended the annual meeting of the Lynchburg Interchange Bureau. It was reported at the meeting that almost every banker, manufacturer and wholesaler of Lynchburg are in the bureau's membership.

There was a general expression of re-

gre. at the Lynchburg meeting that experiences from Baltimore and Richmond were not more regularly received. It was pointed out that Baltimore market experiences were vital to Lynchburg, in fact, more vital than information from any other bureau.

Collection by Ballot

Medina, O.—The A. I. Root Co. of Medina, O., member of the Cleveland Association, have been forwarding to their customers, whose accounts are not kept squarely up to date, a "ballot" upon which the customer is asked to indicate the reason for the delay in making payment. As this is a novel way of approaching the question, it will undoubtedly serve to stimulate collections. At the top of the slip of paper marked, **BALLOT**, is the request, "Please 'vote' and return." There follows the sentence, "The reason why our account with the A. I. Root Co. has not been paid." Then there are squares in which the debtor is invited to place a cross to indicate his reason for delinquency. The reasons, etc., suggested are Oversight; Error or overcharge; Disagreement as to prices or terms; Slow collections; Unsatisfactory sales; We enclose \$.....; We will remit in..... days; We will pay draft through..... Bank of.....; Request..... days extension and will give note; Remarks; Signature; Date.

"Are We Downhearted?"

Minneapolis.—The bulletin of the Minneapolis Association of Credit Men begins an article with the above title as follows:

"About three years ago as the troop ships drew into the harbors of France some voice on board ship would yell the question: 'Are we downhearted?' and from thousands of voices would come the answer: 'No.' Yet these men were on their way to the unknown terrors of war. But there was neither fear, pessimism, nor indifference among them.

"In the big tasks ahead of this country now more of that same optimistic spirit is what we need most."

"Buy—Buy—Buy!"

Newark.—President Spencer S. Marsh of the Newark Association of Credit Men turned borrower recently. The occasion was the first dinner meeting of the association's season of 1920-21, and the circumstances warranted the action. What he borrowed was the custom of causing each man present to arise and tell his name and the name of his firm, so that the other fellows would know him. Mr. Marsh borrowed the plan from Rotary. When the guest of honor, Mr. Tregoe, arose and said: "J. H. Tregoe, secretary-treasurer of the National Association of Credit Men," the applause that greeted him must have assured him of the esteem in which the men of Newark hold him.

Mr. Tregoe made a forceful address and one that will be remembered by all men who were present. "Business is not rotten," said Mr. Tregoe, "it is simply sick." Conditions are due, in part, to the open book account system. Substituting trade acceptances for open accounts will promote liquid credit. Some associations of credit men have promoted the use of trade acceptances. One member of the New York association has used \$3,000,000 worth and 98 per cent. of them were paid at maturity.

The speaker urged the members to assist in overcoming the buyers' strike—

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"Buy what you need—carefully—but buy—buy—buy!" His message to the manufacturer relative to labor was: "To get things right we must stand for the open shop." He predicted nearly normal conditions by May.

After the address Mr. Tregoe endured a "quiz" which brought out details of many points touched on in his speech. Our National secretary said afterward: "I enjoyed the meeting, and the quiz increased my temperature and decreased my collar."

At the twelfth annual banquet, held at the Robert Treat Hotel, President W. F. H. Koelsch of the National Association of Credit Men, was the principal speaker.

The December meeting, in charge of Arthur Myers, chairman of the Business Meetings Committee, was on the subject of "Fire Insurance as Related to Credit." Captain C. Albert Gasser spoke on fire prevention methods.

Hibernia Bank Research

New Orleans.—The Hibernia Bank & Trust Co. (whose credit department consists of G. L. Woolley, Albert Bittenbring, Justin Green, Miss Anna Pitchford and W. W. Pope) has a Research Department that has recently been answering questions for inquirers all over the country. A list of eighty-nine such questions listed in the bank's monthly publication includes:

Brick companies in New Orleans and kinds of brick made.

Data on coffee, rice imports of New Orleans.

Amount of New Orleans savings accounts 1920.

Data covering Port and Terminal Facilities of New Orleans; also copy of Acts and amendments authorizing the issuing of bonds to build terminals and warehouses in New Orleans.

Total acreage of land in Louisiana devoted to sugar cultivation; its by-products, etc.

Number of dry goods stores, etc., in retail districts.

Principal imports from Yucatan or any other Mexican port for May and June, 1920; also exports from New Orleans to these ports. Sisal imports for January to June, 1920.

Financial condition and buying attitude of Southern farmers and merchants.

Capital and profits of Atlanta Federal Reserve Bank for year 1919.

Name of a broker in New Orleans.

Retailers Will Shortly Get Into Step

New York.—E. S. Boteler, past president of the N. Y. Credit Men's Association, in a recent issue of the association's bulletin says: "Most people have been acting as though the recession of prices would go on forever; and yet, wholesalers have generally allowed their stocks to be so seriously depleted and broken that for the last 60 days they have been telegraphing many times a day to distant points for the shipment, by express, of quantities of the bulkiest sort of merchandise. This has never before been a practice and is sufficiently indicative.

"They have also become aware and a little worried at the effect on house-trade and upon their own salesmen of the cancelling they have been doing and the buying strike they have practised in the last four months. In the textile trades, managers have now given instructions to their buyers that their stocks must be at least sufficiently representative to take proper care of a visiting customer—a decided change from the depleted show rooms or

stock display with its unhappy moral effect.

"Unquestionably it is the price quoted to the ultimate buyer, i.e., the actual consumer, that counts chiefly and restores normalcy. The restoration begins with the manufacturer or producer; generally he has met the emergency and the jobber has fallen into line, which means that the retailer heretofore recalcitrant will shortly and certainly be compelled to get into step."

Iowa-South Dakota Conference

Ottumwa.—There was a large attendance at the Iowa-South Dakota Credit Conference held at Ottumwa, Ia., on February 23. Addresses were made by L. A. Andrews, president of the Ottumwa Chamber of Commerce, C. L. Coussens, C. E. Erickson Co., Des Moines, and National Sec.-Treas. J. H. Tregoe. Discussions followed addresses, "The Moral Risk," by H. L. Boggs, Associated Manufacturers Co., Waterloo; on "Business Service," by C. C. Cone, Andrew Kuehn Co., Sioux Falls; on "Taxation in Its Relation to Commercial Credits," by J. D. Plaister, Rider-Wallis Dry Goods Co., Dubuque; on "The Insolvent Debtor," by Peter Balkema, manager, Sioux City Adjustment Bureau, Sioux City; on "The Fire Waste of the Nation," by Lurton H. Stubbs, president and general manager, Stubbs-Anderson Co., Cedar Rapids; on "The Federal Reserve System During and Following the War Period," by A. H. Edwards, American Lithographing and Printing Co., Des Moines.

Dr. Adams Endorses Tax Plan

Cleveland.—The biggest meeting in the history of the Cleveland Association of Credit Men was that held at the Hotel Cleveland in conjunction with the Committee on Federal Taxation of Cleveland Banking Institutions which was addressed by Dr. T. S. Adams of Yale University on "Federal Taxation" and by D. C. Wills, member of the Federal Reserve Board on "Banking Conditions." Attendance, 550. More would have been present had there been accommodations, but reservations were declined for lack of space for more than two weeks prior to the meeting. Dr. Adams endorsed the National Association's proposed substitute for the excess profits tax in the form of a tax on undistributed earnings of corporations.

A recent noon meeting at the Hotel Statler was addressed by John W. Hanon of the Everts-Tremaine-Flicker Co. on "Insurance Problems."

The association on February 15 at the Hotel Winton listened to an address by Edmund Platt, vice-governor of the Federal Reserve Board.

Revival of Integrity

Philadelphia.—In a recent issue of the bulletin of the Philadelphia Association of Credit Men appeared an article on the cancellation evil in which the author said:

Credit is the ground work of the business structure and Religion is the foundation of Credit.

Contracts must be kept. Abraham Lincoln said, "if you have made a bad bargain, hug it all the tighter." It is good advice and fits the present situation.

Stock exchanges receive a great deal of criticism, but when it comes to members keeping their contracts, they set a wholesome example for our merchants and manufacturers.

Millions of dollars change hands there in a day on the nod of a head, and never a trader thinks of trying to get out of his agreement.

Should contract canceling, like that now existing in the commercial world, strike the exchanges, a world panic would ensue. Because members respect their contracts there have been fewer failures in stock exchange firms than in any other kind of business.

It is up to us individually and collectively to stick to the letter and spirit of our own agreements and insist that others do likewise. This will require leniency, patience and calmness, but money is available to all good risks.

Only a revival of integrity among business men will save us from further business depression.

Selling Co-operative Stores

Pittsburgh.—President Thomas K. Cree, of the Pittsburgh Association of Credit Men, at a recent luncheon declared that those who extend credit to co-operative stores do so at their own risk. He quoted the Pennsylvania law on the subject which provides that transactions must be on a cash basis and protects merchants and creditors generally. Many co-operative associations are organized without capital and the associated individuals assume no responsibility. The law provides:

"Any such association may buy from, sell to and trade or deal with any of its members, or other persons, partnerships or corporations, but all transactions shall be for cash, and no credit shall either be given or taken [with certain exceptions as to wages and real estate.] And provided further, That any credit given to any such association in violation of the provisions of this act shall cause a forfeiture of any credit thus illegally given, and that a notice to such effect shall be published, by such association, on its letter and bill heads, advertisements and other publications."

Oregon Passes Model False Statement Act

Portland.—Charles Hill of Rosenfeld-Smith Company of Portland, Ore., chairman of the Legislative Committee for the Portland association, also chairman of the same committee for the state, has scored a success in securing the passage of the Model False Statement Act in the Oregon legislature and the signature of the Governor. This is the third legislature in which the attempt has been made to secure this important Association legislation, and the cordial appreciation of the whole National Association of Credit Men is due Mr. Hill and all who actively supported him.

Portsmouth, O., Officers

Portsmouth.—The Portsmouth Association of Credit Men met recently in regular session and elected the following officers for the coming year: J. B. Wiles, Selby Shoe Co., president; Ralph Ruggles, P. H. Harsha Milling Co., vice-president; B. A. Lechner, Standard Supply Co., secretary-treasurer.

A large delegation was elected to attend the state convention to be held at Youngstown.

C. W. Howland, of the Dove Hat Company of Portsmouth, O., gave an interesting talk on the subject of "The Business Outlook for 1921."

A cordial letter has been received from National Secretary-Treasurer Tregoe, who is booked to address a big meeting of the association on April 16.

Harmful High Tax

Rochester.—Arthur A. Ballentine, law partner of Elihu Root, addressed the Rochester Association of Credit Men in February on the subject of Federal Taxation. He advocated the elimination of the Excess Profits Tax and the reduction of the high surtax rates.

"The excess-profits tax," declared Mr. Ballentine, "should, if practicable, as it probably is, be altogether eliminated. This tax was necessary during the war both for the securing of adequate revenue and to reach extraordinary profits due to war conditions. As a peace measure it is altogether too discriminatory and too difficult of application. The Secretary of the Treasury himself has urged that this tax be abolished, influenced largely by the respective decreased yield of the tax."

"No basis can be found for a heavy tax upon all corporate income which does not involve the use of 'invested capital.' Yet the use of this device by which corporate incomes are measured involves sharp discrimination and limitless complexities. Special cases of hardship cannot be very satisfactorily dealt with under the relief provisions which were embodied in the last law."

"The surtax rates upon individual income, now reaching 65 per cent., in addition to the normal tax of 8 per cent., should be reduced. Taking from a taxpayer more than 70 per cent. of his income can hardly be called taxation, it is rather conscription, not to be justified in peace times. These high rates are harmful to business and to the average taxpayer. They prevent the furnishing of capital necessary for business enterprise and operate to discourage business development."

"If possible, as it seems to be, there should be a flat reduction in the rates. A possible alternative is to reduce the rate on the saved income, as the Secretary of the Treasury has recommended, so that on this portion of the income the tax will not exceed say 20 per cent."

Jacque L. Meyers, head of the credit department of Michaels, Stern & Company, spoke on "Commercial Fraud." Mr. Meyers described the manner in which the professional bankrupt builds up good credit with his victims and then disappears.

Koelsch at Syracuse

Syracuse.—An extraordinary percentage of the membership of the Syracuse association turned out to greet President Koelsch who recently addressed the Syracuse Association. Not only did the address of the National Association President make a great hit with the large audience, but the meeting was reported in full in the Syracuse papers and attracted a great deal of attention in the business community.

Tampa Adjustment Bureau

Tampa.—With President Frank Bentley in the chair, the Tampa Association Adjustment Bureau held its sixth annual meeting and went through the following program:

Reading of the annual report by S. B. Owen, manager; general discussion of the report; suggestion for improvement of our service by the members; interchange of credit information, A. W. Perkins; election of officers of the Adjustment Bureau; report of treasurer, T. W. Elarbee; report of secretary, L. A. Thayer; address on Credits by Hon. Peter O. Knight.

Who's Who in the World of Credit

Charles E. Meek

B. 1863, Canandaigua, N. Y. Ed., Public schools. Member, Nat. Assn. of Credit Men; N. Y. Credit Men's Assn.; Nat. Fire Protection Assn.; N. Y. Chamber of Commerce; Brooklyn Chamber of Commerce; Reserve City Bankers' Assn.; Insurance, and St. Georges, and Huguenot Societies; Royal Arcanum; Drug and Chemical, Lincoln, Niagara, and Wheatley Hills Golf Clubs. Recreation, general sports. Favorite reading, newspapers, periodicals, books, addresses. Bus. Addr., The American Exchange Natl. Bank, 128 Broadway, N. Y.



After being employed in a clerical capacity by one of the large railroad systems for a number of years, entered the employ of the Atlantic White Lead & Linseed Oil Co. as traffic manager. When that concern was absorbed by the Natl. Lead Co., continued with the new organization. At the time that large houses began to pay more attention to credit work, placed in charge of organizing the credit department of Natl. Lead Co. Resigned to become sec-treas. of the Natl. Assn. of Credit Men. Left that organization to join the official staff of the Fourth Natl. Bank. Upon consolidation of the institution, joined the force of The American Natl. Bank.

One of the organizing members of N. Y. Credit Men's Assn. Served on Committee on Constitution and By-laws. Served as member of various committees; vice-pres.; pres. for three terms. Became a member in the early days of the Natl. Assn. of Credit Men; active in committee work; served for several terms as director; sec-treas.; vice-pres. and pres. Has attended all but two of the annual conventions of the Association.

Newman W. Adsit

B. 1882 Saratoga, N. Y. M. 1910. Ed., Syracuse University, 1905. Special courses in accounting and credit work. Steward and Sec. of Official Board of Chester Hill M. E. Church. Phi Gamma Delta. Recreation, gardening. Favorite reading, daily papers, The Outlook and similar periodicals; modern fiction. Bus. Addr., The New Jersey Zinc Co., 160 Front St., N. Y. C.



Began business career with The Western Electric Co., N. Y. and started night school work with Pace & Pace. In two years joined the accounting department of the Tide Water Oil Co., doing auditing and cost accounting. Later was elected sec. and comptroller of The Hennibique Construction Co. where first experience in actual credit work began. In 1912 joined treasury department of The New Jersey Zinc Co. as cashier, and in a few months was appointed credit man, and has been credit manager ever since. Thinks modern credit work is interesting and fascinating

and the opportunity of making friends and acquaintances unusual.

Member for two years, Prosecution Bureau Committee and Executive Committee. Now vice-pres. of the N. Y. Credit Men's Assn., supervising the work of Public Meetings, Forum Meetings, and Budget Committees. Delegate to the Natl. Assn. of Credit Men's Conventions held in Pittsburgh, Chicago, Detroit and Atlantic City.

Curtiss R. Burnett

B. 1870, Newark, N. J. M. 1905. Ed., high school. Presbyterian. Member, Northern Lodge No. 25, F. & A. M., Garrett A. Hobart Council, Junior O. U. A. M.; Down Town Club. Masonic Club, Newark; New Jersey Automobile & Motor Club, Forest Hill Field Club, Newark Athletic Club; Chamber of Commerce of Newark, New Jersey State Chamber of Commerce, Ironbound Manufacturers' Association. Recreations: automobilism, golf, boys' work, cards, club life, regulating street traffic. Favorite reading, Literary Digest, history, travel, biographies, and books pertaining to his business. Bus. Addr., American Oil & Supply Co., 238 Wilson Ave., Newark, N. J.



First position with Standard Oil Co. of N. J., Newark branch in 1887, remaining there until 1895, when the American Oil & Supply Co. was formed, and became connected with them. Got into credit work: need in the concern for someone to look after that department, he seemed to be the logical man. Now sec., in charge of credits and finance of the American Oil & Supply Co., v-p., Riley-Klotz Mfg. Co., Newark; treas., The Yocum Laboratories, Inc., Irvington, N. J.

Joined Newark Association of Credit Men when it was formed in 1907, as representative of firm. Served as pres. two years; now member of its Advisory Board. Served as Pres. of the National Association for one year; as director of the National Association for four years.

Edward F. Reiter

B. 1884, Chicago, Ill. M. 1908. Ed., Culver Military Academy, Northwestern Univ. Episcopalian. Member, Phi Delta Theta National Fraternity; Chicago Culver Club. Recreations, automobilism and boating. Favorite reading, reviews, business magazines and history. Bus. Addr., Consumers Co., Chicago, Ill.



Left Northwestern University in 1906 and went to work as salesman for the Consumers Co. One year later left the sales dept and became a collector. Wanted to become a credit man and studied law for four years, evenings. Gradually worked up the ladder in the credit department.

Vice-chairman, 1917-1918, Membership Committee; 1918-1919, chairman, Membership Committee; director, 1918-1919-1920; second v-p., 1920-1921; councilor, 1920-1921; chairman Welfare Committee, 1919-1920, Chicago Association.

Henry A. Clinkunbroomer

B. 1873, Brooklyn, N. Y. M. 1909. Ed., Public School and Boys High School, Brooklyn. Elder, Union Church of Bay Ridge (Presbyterian). Treas., Mistetoe Lodge 647, F. & A. M. and Aurora Grata Consistory 32°; Member, Young Men's Republican Club; Crescent Athletic Club; Richmond County Country Club; Arkwright Club; Robert Morris Association. Treas., Cuyler Kindergarten of Brooklyn; Vice-Pres. Chatham & Phoenix Natl. Bank. Recreations, golf and automobilism. Favorite reading, history, biography and banking magazines. Bus. Addr., Chatham & Phoenix Natl. Bank, 149 Broadway, N. Y. C.



Started as a boy in correspondence dept. of American Exchange Natl. Bank. Resigned to become asst. receiving teller, later receiving teller of Gansevoort Bank. Resigned to become paying teller of The Mutual Alliance Trust Co. Promoted to asst. sec., then treas. and director of the company. It combined with Century Bank, and he was elected cashier of Century Bank. Combined with Chatham & Phoenix Natl. Bank and he was elected vice-pres. which position he now holds. As treas. Mutual Alliance Trust Co., had entire charge of credits. At present time, principal duties are making loans on commercial paper.

Interested in N. Y. Credit Men's Association for many years. Became member of Fire Insurance Committee, then vice-chairman. Last two years, member of Exec. Com. of N. Y. association.

Christopher D. Potter

B. 1870, Providence, R. I. M. 1912. Ed., Providence High School. Member, Ridge Club of Brooklyn; Appalachian Mountain Club. Recreations, tennis, camping. Favorite reading, current periodicals, fiction and business, Kipling; Bus. Addr., Devoe and Reynolds Co., Inc., Paints, 101-103 Fulton St., N. Y.



Started business life with Wallace & Co., wholesale confectioners. In 1890 accepted position in credit department of F. W. Devoe and Co., wholesale paint and varnish manufacturers. This company joined with C. T. Reynolds Co., and became incorporated in 1917 under the name of Devoe and Reynolds Co., Inc. In 1893 was made credit man and still is in charge of the credit department. In 1918 made office manager and assistant-treasurer.

Became member of the N. Y. Credit Men's Association in the second year of its existence, 1896, and was elected to the Executive Committee for two years in 1897. Now a member of the Executive Committee, chairman of a sub-committee of the Interchange Bureau Committee, member of Exec. Com. on Foreign Credits and pres. of Paint and Varnish Credit Club of Natl. Assn.

Spencer C. Gunn



B. 1879, Plattsburgh, N. Y. M. 1902. Ed., Cornell, 1901. Presbyterian. Member, St. Andrews Society, Albany Chamber of Commerce. Recreations, walking, nature study, gardening and keeping the home pipe burning. Favorite reading, Saturday Evening Post, New York Tribune, The Credit Monthly and Henderson's Seed Catalog. Bus. Addr., A. P. W. Paper Co., Albany, N. Y.

Worked with Canton Bridge Co., Canton, O., from 1901-1910, as timekeeper, traffic manager, assistant bookkeeper, head bookkeeper and office manager. From 1910-1912, was public accountant in New York State Audit Co., Albany. From 1912-1917, was auditor in A. P. W. Paper Co., Albany; and since 1917 has been credit manager for the same firm.

Sec. of Albany Association of Credit Men, 1918 to 1919. Representative, 1919-1920, State Legislative Committee. Pres. of Albany Association, 1920-1921. Member, 1919-1921, The Credit Monthly Committee; 1921—, member, Committee for Revision of Constitution and By-Laws.

William H. Preston

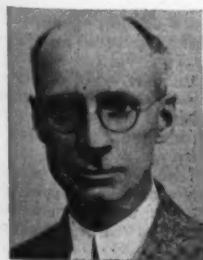


B. 1860, Polo, Ill. Ed., public schools. Member, all Masonic orders, Shrine, Seattle Commercial Club, Associated Industries, Masonic Club. Recreations, automobiling, fishing and camping. Favorite reading, good business and current magazines, good novels. Bus. Addr., The American Credit Indemnity Co. of N. Y., 509 White Bldg., Seattle, Wash.

General agent, The American Credit Indemnity Co. of N. Y. Formerly treas., Knapp & Spencer Co., Sioux City, Iowa. Located there at time of organization of National Association of Credit Men. Was one of the leading spirits in the formation of the National Association.

First Pres. of the National Association, elected at Toledo in 1896. National director; chairman, National Membership Committee; pres. of Sioux City and Los Angeles Association of Credit Men; honorary pres. of Los Angeles assn. and honorary member of Seattle assn.

Rufus K. Storm



B. 1868, Hackensack, N. J. M. 1898. Ed., Public schools. Officer, Second Reformed Church, Hackensack. Member Hackensack Golf Club and Orland Field Club. Recreation, golf and walking. Favorite reading, fiction, history and periodicals. Bus. Addr., General Chemical Co., Hackensack, N. J.

Started with Brown, Place & Co., wholesale hosiery and underwear importers. En-

tered office of Dundee Chemical Works in 1888, becoming acting office manager in 1898. Entered employ of General Chemical Co. at its inception. Became plant accountant, chief accountant, and finally credit manager. Organized the credit department when it was started several years ago. Served his town three years on Board of Education; in 1920 was re-elected for second term of three years as member of governing body of his town.

Vice-Chairman of Interchange Bureau Committee; member of Exec. Com. of N. Y. Assn.; chairman of the N. J. State Councillors.

Peyton B. Bethel



B. 1877, Louisville, Ky. M. 1903. Ed., Center College. Member, Christ Church, Phi Delta Theta Fraternity, Rotary Club, Board of Trade, Sons of American Revolution. Recreation, golf. Favorite reading, Literary Digest, The Credit Monthly, trade papers and current news. Bus. Addr., Falls City Clothing Co., Louisville, Ky.

Started with father who was president of Carter Dry Goods Co., wholesale, Louisville, Ky., and was with them five years. Formed Nelson Bethel Clothing Co., manufacturers, about 1902; was secretary. In 1905 consolidated with others and formed Falls City Clothing Co., and was first sec., later, v-p. and sec. and in 1920 was elected pres. Assisted pres. of Nelson Bethel Clothing Co. in credits and collections and did general work in office; was made credit manager of Falls City Clothing Co. when organized. In assuming presidency of company still keeps a watch on credit and collections. Active in Liberty Loan campaigns, etc. Appointed by U. S. Labor Director and served eighteen months as sec. of U. S. Community Labor Board.

Interest in Association work began in 1905. Pres. of local association and adjustment bureau several times; chairman of most committees. Has had several committee chairmanships in National Association; elected National director at Detroit.

Alvin K. Matzger



B. 1879, Washington, M. 1908. Ed., Public schools. Mason. Member, Chamber of Commerce, Merchants Association; Seattle Golf and Country Club; past pres., Sales-managers' Association. Recreations, automobiling, golf and walking. Favorite reading, biographies of successful men, financial periodicals. Outing. Bus. Addr., Saxony Knitting Co., Saxony Bldg., Seattle, Wash.

First commercial experience as bookkeeper in flouring mill. Started at tender age and served one firm 19 years. Became an officer in the firm and specialized in credits. Branched out into textile manufacturing and is now pres. of the Saxony Knitting Co. Three years ago with three associates organized the Seattle Chain Co., which made an enviable record during the war in anchor chain manufacturing.

Member of Seattle Association of Cre-

dit Men 12 years. Served as chairman of several committees; on board of directors 6 years; pres., 1918-1919, national director, 1919. Elected delegate to attend National Convention five consecutive years.

Group Conferences

SECRETARY TREGOE has determined that the Group Conferences devoted to various lines of business will be given special attention at the San Francisco Convention and hopes to find a way of "heading up" these conferences in such a way that their deliberation will focus into the general convention.

The groups organized at this writing are as follows:

Clothing and Allied Lines.—H. W. Louis, Brownstein-Louis Co., Los Angeles, Cal., chairman.

Drugs and Allied Lines.—A. F. Stepan, Western Wholesale Drug Co., Los Angeles, Cal., chairman.

Dry Goods, Notions and Allied Lines.—W. A. Yeomans, Spokane Dry Goods Co., Spokane, Wash., chairman.

Furniture and Allied Lines.—E. K. Scherer, Evansville Metal Bed Co., Evansville, Ind., chairman.

Groceries, Provisions, Confectionery and Allied Lines.—J. T. Young, Idaho Wholesale Grocery Co., Pocatello, Idaho, chairman.

Wholesale Hardware, Automobile Accessories, Electrical Supplies and Allied Lines.—W. M. Levensaler, Dunham, Carrigan & Hayden Co., San Francisco, Cal., chairman.

Hats, Caps and Allied Lines.—J. M. Hannaford, Gordon & Ferguson, St. Paul, Minn., chairman.

Implements, Vehicles and Allied Lines.—A. H. Thoda, James & Graham Wagon Co., Memphis, Tenn.

Millinery and Allied Lines.—Eugene Stern, Levis-Zukoski Mercantile Co., St. Louis, Mo., chairman.

Paints and Varnish.—C. D. Potter, Devoe & Raynolds Co., New York, N. Y., chairman.

Paper Supplies and Allied Lines.—T. H. Cree, Alling & Cory Co., Pittsburgh, Pa., chairman.

Jewelry and Allied Lines.—J. M. Kucera, Norris-Allister-Ball Co., Chicago, Ill., chairman.

Manufacturing Iron, Steel, Electrical Supplies, Machinery, Automobile and Allied Lines.—Chairman to be appointed.

Banking.—As usual, the banking members will hold their conference under the direction of the Robert Morris Associates, Alexander Wall, Secretary, Lansdowne, Pa.

Benefits of Interchange Bureau Plan

Chicago.—The Credit Interchange Bureau and its peculiar advantages were never better described nor more convincingly set forth than in the four-page leaflet issued by the Credit Interchange Bureau Committee of the Chicago association under the title: "Is This Service Worth Looking Into?" Any association contemplating opening such a bureau or desiring material with which to build up its present bureau, should send to F. E. Alexander, Manager, 226 West Adams Street, Chicago, for a copy of the pamphlet.

How to Keep Books

The Pamphlet "A Business Enterprise" Has Taught Many Thousands

By B. N. Serviss

MANY thousands of copies of the pamphlet, "A Business Enterprise," have been distributed by members of the National Association of Credit Men to retailers, who needed assistance in their bookkeeping methods.

This little classic of business literature, published by the National Office, was prepared by the Business Service Committee of the Association which was made up of Chairman H. Uehlinger, Hilo Varnish Corporation, Brooklyn, N. Y.; L. M. Allen, Bridgeport Brass Co., Bridgeport, Conn.; W. Frost Brown, Brown Milling & Produce Co., Charleston, W. Va.; M. C. Henderson, Montana Oil Co., Helena, Mont.; H. M. Hiles, Beaver Co., Buffalo, N. Y.; H. D. Howard, Massey Iron Co., Wichita, Kan.; W. G. Jarvis, Baugh and Sons Co., Norfolk, Va.; O. D. Kay, General Fireproofing Co., Youngstown, O.; T. M.

Nesbitt, Moore & Handley Hardware Co., Birmingham, Ala.; R. P. Robinson, Groneweg & Schoentgen Co., Council Bluffs, Ia.; D. F. Stearns, Rockford Wholesale Grocery Co., Rockford, Ill., and J. C. Booth, Fairbanks, Morse & Co., Portland, Ore.

It was reviewed and approved by a special committee that included Mark Eisner, Collector of Internal Revenue, N. Y., N. Y.; David E. Golieb, of faculty, N. Y. University, N. Y., N. Y.; Freas Brown Snyder, W. C. Hamilton & Sons, Wm. Penn P. O., Pa.; R. C. B. Adams, National Commercial Bank, Albany, N. Y.; G. L. Bergen, C. P. A., Geo. L. Bergen & Co., N. Y., N. Y.; A. H. Alexander, Sec., N. Y., Credit Men's Association; A. E. Turner, Robt. H. Ingersoll & Bro., N. Y., N. Y.; J. J. Rooney, Michelin Tire Co., Milltown, N. J.; John D. Murphy, United States Internal

Revenue Dept., Washington, D. C.; Irving Y. Jones, International Heater Co., Utica, N. Y., and R. Preston Shealey, Attorney, Washington, D. C.

Banks have recently purchased "A Business Enterprise" in quantities, imprinted, for distribution to small customers and prospective customers.

The first half of "A Business Enterprise" is reproduced in this issue of THE CREDIT MONTHLY in order that credit grantors not yet familiar with the pamphlet may see its constructive value in assisting the retailer untrained in accounts. The pamphlet itself is printed in large type and is so simple and clear that any retailer, if he can read and write, is enabled by it, at the expenditure of a dollar or two for stationery, to keep a satisfactory record of his business.

The latter half of "A Business Enterprise" will appear in an early number of THE CREDIT MONTHLY.

A BUSINESS ENTERPRISE. FOREWORD

Where we have buying and selling of merchandise or contracting for work that requires labor and the buying and using of materials, we have "A Business Enterprise."

A merchant is one who conducts "A Business Enterprise"; more properly speaking, he is one who knows how to conduct a Business Enterprise; is able to tell at any time what profit, if any, the enterprise is making, and can play the business game according to its rules. Is the reader such a merchant?

Most failures and bankruptcies are due to a lack of information as to how a business is prospering or suffering. A simple booking system would supply the necessary information.

The banker, manufacturer—even the government—looks with disfavor upon a merchant who does not keep business records that show whether a concern is making or losing money.

Why should a merchant hesitate to begin keeping records when it is possible, at practically no cost and with but little expenditure of time, to equip himself with sufficient information by simply following the ideas presented in this brief story of "A Business Enterprise."

WHAT A MERCHANT SHOULD KNOW ABOUT HIS BUSINESS

The merchant should know, and not guess, that the price at which he sells an article, or the price for which he contracts to do work, will cover the—

Exact cost of the article; or the Exact cost of the material and labor used in the contract:

The proportionate part of the cost of conducting the business which the article or the contract should bear;

With a little for his living; and Something besides.

He should again know, without simply estimating, whether all his sales or all his contracts at the end of any given period of time equal the first three items as above cited.

If they equal the cost as indicated, then there is no profit.

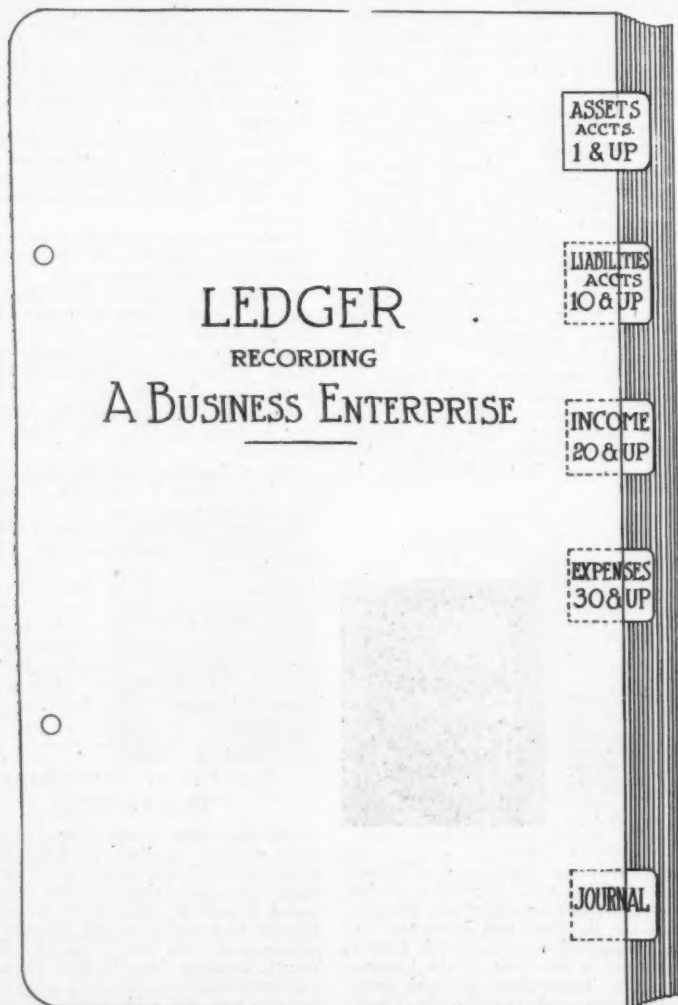


FIGURE "A"
Showing division of accounts

If they exceed the cost, then a profit is a reality.

No merchant can be easy in mind and fair to his business creditors or bank, or even the business public, who cannot tell whether or not his business enterprise is making a profit.

HOW CAN THE MERCHANT TELL IF HIS BUSINESS IS OR IS NOT MAKING A PROFIT?

This can only be done by keeping certain records—commonly known as Books and Accounts.

Without books of accounts, a merchant unconsciously goes on the rocks or loses the chance of making his business profitable.

Why should he wait until the time when he finds he cannot pay his bills and hasn't assets enough to meet his liabilities?

Why should he, when certain simple records would give him the information any time?

How can he tell what profits the business is making, even though he is meeting his obligations, unless he keeps certain records.

With this straight - from - the - shoulder message to all merchants not keeping record or books of account; and

Believing that they will realize the fact that present conditions will not permit a Business Enterprise to run without such records.

It is our earnest effort to make certain recommendations in the way of a general outline of very simple and easily kept records, which we shall call "books of accounts."

Our great desire being to render business service and to put sound props under every business enterprise.

HOW CAN BOOKS OF ACCOUNT TELL WHEN A BUSINESS ENTERPRISE IS OR IS NOT MAKING A PROFIT?

The transactions that go to make up a day's work in any business develop either a profit or a loss. If a profit, it finds its way into capital or net worth—the net worth is increased. If a loss—the net worth is decreased.

Starting at the very beginning, then, a record of the merchant's investment in the business, his net worth or Capital (as it is termed) is necessary. Such a statement of net worth we will construct right here.

We begin with Assets which term covers property or accounts of value such as are listed below and are numbered from 1 to 6. The total of these Assets in dollars and cents, when compared with the total amount of Debts, determines whether a Business Enterprise is able to pay its debts and is therefore what we call Solvent, or is unable to pay its debts—and is Insolvent. There should be at least \$2 of Assets to every dollar of Debts.

Liabilities are the opposite of Assets (see items numbers 10 to 14), and to play the business game right, the object is to keep the Liabilities less than the Assets. The greater the difference between them, the greater the investment—therefore the success of the business.

ASSETS

- | ASSETS | |
|---|----|
| 1. Cash on hand and in bank.... | \$ |
| 2. Merchandise on hand..... | \$ |
| 3. Accounts owing from customers..... | \$ |
| 4. Furniture, fixtures, etc..... | \$ |
| 5. Lands and buildings..... | \$ |
| 6. All other items of value not in above classification | \$ |

Total Assets \$
Deduct from this

LIABILITIES

Amounts owing for	
10. Merchandise	\$
11. Borrowed money	\$
12. Items of expense accumulated and unpaid.....	\$
13. Lands and buildings (mortgage)	\$
14. All other debts not included in above classification....	\$

Total Liabilities	\$
Net Worth Capital or Investment	\$

So, the first thing that books of account tell us, is: What is invested in a business at the beginning.

The next step is to make the investment earn money by the carrying on of business, whatever it may be, for the purpose of making a profit. We can increase our net worth by adding to our income. We add to our income when we make a profit on what we sell. So, a merchant must construct his accounts so that they will show in addition—

1. Income;
2. Expenses;
3. Net Profit or Net Loss.

Income is what flows into the business, and the word itself suggests something that is moving and not stationary.

CASH ACCOUNT №10

[illegible]

FIGURE " B "
Showing double entry ledger sheet

Opposite this is expense—the outflow of a business, and this term also suggests things that are in action and not stationary.

To arrive at the net profit or the net loss, it is absolutely necessary to record every transaction; so, we will group the classes of income and group the classes of expense.

INCOME

- | | |
|--|----|
| 20. Profit on sales | \$ |
| 21. Profit on contracts..... | \$ |
| 22. Interest on bank balances... | \$ |
| 23. Discount on merchandise purchased | \$ |
| 24. Items of income not above classified | \$ |

Total Income \$
From which we deduct

EXPENSES

- | | |
|---|----|
| 30. Rent (fair rate, if owner)... | \$ |
| 31. Wages paid (not charged on contracts) | \$ |
| 32. Allowance to merchant for his service (at fair rate). | \$ |
| 33. Insurance on merchandise, fixtures, etc. | \$ |
| 34. Interest on borrowed money. | \$ |
| 35. Delivery expenses | \$ |

36. Taxes of all kinds.....	\$
37. Fuel and light.....	\$
38. Charity.....	\$
39. Bad accounts.....	\$
40. General expenses not including in above.....	\$

Total Expenses \$
When deducted from Total Income Gives

Net Profit, or Net Income \$

This net income, to the penny, will be reflected in Assets and Liabilities. Every penny of profit will either increase the Assets or decrease the Liabilities. Every penny of loss will either decrease the Assets or increase the Liabilities, thereby decreasing the net worth.

Any business, no matter in what line of effort or what is the size of its capital, is subject to this principle.

Having explained—how books of account, given names, divided into four classifications (Assets, Liabilities, Income, Expenses), indicate whether a business is making a profit or a loss, we will now endeavor in a similar fashion to offer some idea of how books of account (of a very simple kind), can be secured by a merchant and kept so he can tell accurately, with the least possible effort, what are the Income and Expenses, the Assets and Liabilities, the Profit or Loss of his business enterprise.

THE BOOKS OF ACCOUNT

Having reached in our development of the bookkeeping process—or rather of the books of account that are needed in connection with a man's business, the kind of facts to record as to what happens from day to day, month to month, or year to year—we will say in illustration:

When the merchant buys merchandise and it is delivered to him, he charges it to the business enterprise on the books of account, and credits the person from whom goods are bought. When the merchandise is sold, credit at cost is given to merchandise, and the profit is credited to profit on sales. When a merchant puts cash capital into the business, he charges cash and credits the investment; and when payments are made for expenses incurred, he credits or reduces his cash and charges the items paid to various accounts involved.

The books of account, therefore, form the connecting links between a merchant and his business enterprise.

The old and customary form of bookkeeping is what is known commonly as "Double Entry," involving cash book, check book, purchase book, sales book, journal, sales ledger and general ledger. When a merchant is in a position to keep such books, or can afford to hire a bookkeeper for the purpose of keeping them, there are none better.

For some enterprises, however,—and it is to these that our present message is addressed,—we will retain the idea behind double entry bookkeeping, namely, a system of balances, dollar for dollar, on each side of an account; but endeavor to do it with a few simple books of account.

After thinking the matter over with the utmost care, we are recommending principles and methods which any merchant can apply, that can be embodied merely in two books—the Check Book, and the Entry Book ruled as a double entry ledger, which will serve the purpose of a ledger and a journal. These two books, with files for bills and other papers, will be sufficient for the business enterprise which we are aiming to reach.

The Entry Book or ledger should be divided into five parts—

Assets,	1st
Liabilities,	2nd
Income,	3rd
Expenses,	4th
Journal,	5th

(See Figure "A")

The merchant will keep these in mind

while we explain the next step in the bookkeeping system.

The capital investment is to be determined as outlined on page 6.

CASH ON HAND AND IN BANK
(Account No. 1)

This figure, when obtained, is entered on the left side, or debit side of the ledger sheet (see Figure "B"), and placed under the asset section of the ledger.

(To be continued)

Surgeon Plus Diagnostician

Impressions of a Speech by J. H. Tregoe

By Richard Spillane in Philadelphia Ledger

J. H. TREGOE, secretary-treasurer of the National Association of Credit Men, who spoke yesterday to the members council of the Philadelphia Chamber of Commerce, proved himself not only a diagnostician—but a surgeon.

By metaphor, story and plain matter of fact statement he illustrated the weakness and the strength of the American business man and the American generally. He said we were wonders at production, but woefully lacking in business prescience. From confidence we turned just as soon as clouds appeared upon the horizon to anxiety about tomorrow. We put a lot of unnecessary strain upon ourselves, strain which we could avoid if we gave reasonable regard to the immutable laws of business. We were temperamental, more temperamental than we appreciated. He told two stories of American temperament displayed in France in the tragic days of war.

Mr. Tregoe asked why, in view of the fact that we have a genius, a power in the making of machinery such as have no others on earth, we do not install the best system, the best machine man can devise as a business laboratory to analyze and correct business. We are long on theory and short on business-trained view. We display a woeful lack of vision. We do not face facts until they threaten to crush us. If we mixed vision and practical skill with theory we could do wonders and save ourselves from many perils and many bitter experiences.

KEEP CREDIT LIQUID

The cause of our present ills, he declared, was our failure to accept the facts of the war. The one outstanding fact from a business viewpoint was that a great vacuum had been created by the removal of \$200,000,000,000 of the world's wealth. Instead of recognizing that and meeting the situation sanely, we endeavored to make credit do the work of capital. We mopped up credit. We increased capital stocks as never before, and seemingly without consciousness of the fact that we were draining liquid capital and keeping fixed assets idle. We rioted in extravagance and speculation when we should have practiced scrupulous thrift and saving. We have no thought of keeping credit liquid. Our only thought was of the opportunity to splurge some way. Many millions were lost in bogus stocks alone. Many more millions were wasted in utterly useless ways. Even the government, in putting the interest rate on Liberty bonds at an unwarrantedly low rate, had checked the impulse to thrift, the desire to save.

He bitterly criticized the way the government handled the campaign against profiteers. It put out flying squadrons of

men utterly ignorant of the laws of business; men who thought if a man made 400 per cent on a paper of pins it was a crime; men who didn't know that business was conducted on the average profit on all the business and not on the profit of one item.

LIVE RIGHT: THINK RIGHT

He pictured the condition today as a state of mind. Men were scrambling to cover. Orders were canceled, orders that were placed in the best of faith. It was a shocking wrong. If an honest man places an order he in all fairness should take the goods regardless of conditions. He begged his hearers to keep fear out of their souls. "Go out and whistle anytime you are worried," he advised. Another thing he insisted was that labor must be faced fearlessly. America cannot consider itself really a free country unless the open-shop principle predominates.

Live right. Think right, he said. There are too many who want the other fellow to do it and do not do it themselves. Prices were not going back to the 1914 level. After the turn of the year he looked for real improvement. In twelve months we may look back on these days and smile. Today we are paying for our errors and mistakes. We'll have other bad periods unless we correct what is wrong in our business system. The opportunity of America never was greater than today. Every effort should be bent toward developing our foreign trade. This cannot be done intelligently unless we master the technique of foreign credit. Business men must take a larger part in the affairs of government. Today our forty-eight states, are represented mostly by petty politicians and the business men, through whose negligence this condition exists, complain.

Do business close to the bone. Determine that you are going to do business. Be moderate in buying. Be moderate in selling. Keep your accounts liquid. We're in bed sick and we need a medicine that will bring composure and patience, he said.

When you hear of plants closing don't worry. Keep moving. Don't block traffic. Keep moving.

"You've had good days," he declared. "Face some troublesome ones with courage and determination." The easiest way to cure present embarrassments is to exercise prudence and common sense. No country is so strong as this one. What ills we have are small in comparison with those others are facing. Look up, not down.

Mr. Tregoe got a great reception when he closed, the audience crowding about him and thanking him heartily.

Decrease in the Cost of Living

By John Whyte, Ph. D.

PHILADELPHIA, PA.

Item of expenditure.	Per cent of total expenditure.		Per cent of increase from December, 1914, to—							
	Dec. 1915.	Dec. 1916.	Dec. 1917.	Dec. 1918.	June 1919.	Dec. 1919.	June 1920.	Dec. 1920.		
Food	40.2	0.3	18.9	54.4	80.7	75.5	87.2	101.7		
Clothing—										
Male	3.3	16.2	54.1	119.6	139.4	204.2	233.0	194.7		
Female	8.9	15.9	49.1	101.7	129.8	175.9	206.0	172.3		
All clothing	16.3	36.0	51.3	111.2	135.9	190.3	219.6	183.5		
Housing	13.2	*3	*7	2.6	8.0	11.3	16.7	28.6		
Fuel and light	5.1	*8	5.4	21.5	47.9	43.3	51.3	66.8		
Furniture and furnishings	4.4	6.9	19.9	49.8	107.7	117.8	162.8	187.4		
Miscellaneous	20.8	1.2	14.7	43.8	67.5	71.2	88.6	102.8		
Total	100.0	1.2	14.7	43.8	78.9	76.2	96.5	113.5		

IF manufacturers', wholesalers', jobbers' and retailers' prices fell at the same time and equally the readjustment of business to a new price level would be a comparatively simple matter. But there is a lag in price reductions that works hardships and upsets buying power. The ultimate consumer particularly is affected by this lag. The cost of living of the ultimate consumer is not reduced with the same speed as wholesale commodities, particularly raw materials, are reduced. Thus, while wholesale prices as reflected in Bradstreet's Index number had declined more than 39 per cent. from the peak to January 1, the cost of living in the large cities of America decreased less than 10 per cent. on an average from the peak. (This lag is attributable to the comparatively higher cost of retail prices and particularly to the fact that rents were in December higher than they were in June, 1920.)

The percentage of increase in the cost of living from December, 1914, to June, 1920, and to December, 1920, for eight large American cities, is taken from the report of the Bureau of Labor Statistics.

PERCENTAGE INCREASE FROM DECEMBER, 1914, TO JUNE, 1920, AND DECEMBER, 1920

	June 1920.	December 1920.
Baltimore, Maryland..	114.3	96.8
Cleveland, Ohio.....	116.8	104.0
Chicago, Ill.....	114.6	93.3
Detroit, Mich.....	136.0	118.6
New York, N. Y.....	119.2	101.4
Philadelphia, Pa.....	113.5	100.7
San Francisco and Oakland, Calif.....	96.0	85.1
Seattle, Wash.....	110.5	94.1

Changing these percentages to index numbers, so as to get a percentage reduction, we find that the percentage decrease in the cost of living for these cities from the peak, June 1920, to December 1920 is as follows:

	Decrease. Per Cent.
Baltimore, Md.....	8
Cleveland, Ohio.....	6
Chicago, Ill.....	10
Detroit, Mich.....	7
New York, N. Y.....	8
Philadelphia, Pa.....	6
San Francisco and Oakland, Calif.....	6
Seattle, Wash.....	8

For the purpose of showing how the cost of living has increased and decreased from December 1914 to December 1920, a table of one of the cities (Philadelphia) used by the Bureau of Labor Statistics is given herewith. This table shows how the items of expenditure that make up the cost of living are weighted and how they have increased or decreased during the last six years.

Why He Stuck

THE local association had increased its dues from \$15 to \$25. "There's a member who won't stick," said the secretary, "who I am afraid will take this as an excuse to withdraw, for he has never shown any interest other than paying his dues, never attends meetings, never writes a letter to the office." "We'll mail the bill and ask Mr. Blank to call on him and talk general benefits," Mr. Blank called. "What are you going to do about the Credit Men's Association this year?" "I have paid my dues—just sent in my check. What more do you want?" was the reply. "Well, we were afraid you might not stand for the increased dues." "If the dues had been four times the \$25 I would not have hesitated," was the answer; "I don't use my membership as some of you do. But the time was when I went around and asked concerns for information, and the reply was, 'Oh! yes, we sell them.' Now I say, 'I am a member of the Credit Men's Association. I have an account with So-and-So and want to get your experience on them,' and they invite me in and open their books. That's worth a great deal more than I am asked to pay for it in membership dues."

Wholesale Prices

THE COMMERCE MONTHLY published by the National Bank of Commerce in New York, gives each month in tabular form quotations of wholesale prices for a group of commodities that are chosen for their representative character and for their important relation to fundamental business conditions. The commodities include cattle, coal, copper, corn, cotton, hides, hogs, iron and steel, lead, petroleum, rubber, silk, sugar, sulphuric acid, wheat, wool and zinc; several quotations being given under some of them. An examination of the price table of these commodities provides an interesting analysis of the present period of falling prices.

On January 15, 1921, the following commodities had reached, or were already below, prices prevailing in 1914.

Cattle—Fair to choice native steers, Chicago.

Copper—Electrolytic, early delivery, New York.

Corn—No. 2 mixed, Chicago.

Hides—Calfskin, No. 1, Chicago city.

Rubber—Plantation, first latex crepe, New York; Para, upriver fine, New York.

Wool—Clean basis, Boston; Ohio 1/4-blood.

On January 15, 1921, the following commodities had receded to the 1915 price level.

Lead—Pig, early delivery, New York.

Zinc—Prime western, early delivery, St. Louis. (Jan. 1915.)

On January 15, 1921, the following commodities had receded to the 1916 price level.

Cotton—Middling, spot, New Orleans. (Oct. 1916.)

Hogs—Good merchantable, pigs and rough stock excluded, Chicago.

Iron and Steel—Steel billets, open hearth, Pittsburgh.

Sugar—96 centrifugal, duty paid, New York.

On January 15, 1921, the following commodities had receded only to the 1917 price level.

Iron and Steel—Pig iron, basic, Valley furnace. (Jan. 1917.)

Wheat—No. 1 northern spring, Chicago. (Jan. 1917.)

Wool—Clean basis, Boston; Ohio fine delaine. (Jan. 1917.)

The following commodity is still not greatly below 1920 prices.

Coal—Anthracite, No. 1 buckwheat, f.o.b. lower ports, New York; anthracite, stove, f.o.b. mine; bituminous, run of mine, f.o.b. mine; Fairmount, W. Va.; Pittsburgh district.

Business Nerve Center

St. Louis.—President Eugene Stern, of the St. Louis Association, had this to say in a recent message to his fellow members:

"The credit department is the heart and nerve center of business, and the credit man has control of this, a steady influence in business. The year which has just commenced is a year in which the credit man should exercise to the fullest extent this power. Business is economically sound, but steadiness, courage, determination, cheerfulness, faith and the spirit of service is necessary to keep business economically sound."

On January 18, 19 and 20, three distinct conferences of national importance were held at the Hotel Jefferson. These were the National Interchange Bureau Managers' Conference the Adjustment Bureau Conference and the Missouri State Conference. The last was attended by delegates from the St. Louis, Kansas City and St. Joseph Associations. J. H. Tregoe, Secretary-Treasurer of the National Association of Credit Men and our old friend C. D. West, addressed the assembly at dinner on the 20th.

Three More C's

South Bend.—In the principal address at the annual meeting of the South Bend Association David J. Evans, National Lead Co., Chicago, declared that to the three C's—Character, Capacity and Capital, should be added "Constructive Credit Co-operation." He also denounced professional bankruptcy lawyers and said that in a certain district there is a bankruptcy ring, and every day witnesses the commission of "bankruptcy murder."

The following officers were elected: President, Clem K. Kuehne; first vice-president, H. A. Clement; second vice-president, J. C. Locke; secretary, A. C. Tuveson; treasurer, Fred H. Schrop. J. M. Campbell, H. M. Bigelow, B. F. Frey and Ward Shaw were elected directors.

Burnett Represents Credit Men

Washington, D. C.—Curtis R. Burnett, American Oil & Supply Company, Newark, N. J., past president of the National Association of Credit Men, represented the Association at the recent meeting of the National Council and Board of Directors of the U. S. Chamber of Commerce at Washington. About 500 men were present. The general session was devoted to the subject of housing, a basic one at the present time. Ernest T. Trigg, of Philadelphia, reported that his city has released \$15,000,000 for immediate use in construction work in order to relieve unemployment. Senator Calder, of New York, recommended several exemptions to the Federal Tax Laws, in order to encourage loans from private and other investors. He also laid great stress on the necessity of clearing out corruption and graft, which is exactly in line with the findings of the Committee on Credit Defense of the National Association of Credit Men.

H. A. Wheeler, of Chicago, declared that if the Federal Reserve would reduce the discount rate from seven to, say, five and one-half per cent., it would do more than any one thing to restore business quickly to normal.

Bucking the Federal Reserve System

Washington.—H. H. McKee, president of the National Capital Bank of Wash-

ington, D. C., at a weekly round table luncheon of the Washington Association of Credit Men, spoke on the "Par Collection System." He said: "It is difficult for a banker to refrain from taking sides on this question, but I am going to try to avoid stating anything of a controversial nature, and present two fundamental propositions and some facts for your consideration and let you draw therefrom your own conclusions. The first basic or fundamental proposition is this: The purchaser is required by all the elements of justice and fairness to pay for what he buys at the counter or the office of the seller, unless there be a distinct and positive agreement to the contrary. Large distributing houses send their salesmen throughout the country to take orders for goods, but not to collect payment for them. The goods are shipped and later the question of payment comes up. It is clearly the right of the seller to require the purchaser either to bring or send to the office of the seller that which will discharge the debt, but competition in recent years has permitted this rule to lapse and the purchaser has been permitted and even encouraged to send to the seller the purchaser's check on his local bank, which is far from being payment at the counter of the seller, but is in reality payment at the counter of the purchaser. Now if it costs something to transport funds from the purchaser's place of business to that of the seller, the cost of such service should be borne by either of the two parties to the trade, because no one else profits by the sale nor has any interest in it; and if the seller waives his right to demand that the purchaser pay at the seller's counter then he should be willing to bear the expense himself."

"The country banker contends that payment of checks drawn by his depositors at any other place than his counter involves an expense to him for which he should be reimbursed. Thus if a merchant in North Carolina sends his check on his local bank to a business house in New York City and that check is deposited in a New York bank which sends it to the local bank in North Carolina with a request that the North Carolina bank send the amount to the New York bank, the North Carolina banker asserts that as it costs him money to send his funds to New York, he should be permitted to make a charge to cover that expense and to reimburse him for the service he renders."

MONEY NOT ACTUALLY TRANSPORTED

"The Federal Reserve System has changed the currents of the business of banking to such an extent that there is little or no need for the transporting of actual money from place to place. Nearly all business, including that of the payment of checks, is done by the offsetting and shifting of credits from place to place and to expedite that work large reservoirs of credit have been established at a dozen or more places throughout the country into and out of which flow the streams of credit that supply the needs of business; and, as checks perform the work of money and are freely given and accepted in payment of debts, it is the thought of the large business houses engaged in the sale and distribution of goods, and of many bankers also, that there is no more reason to charge exchange for the payment of checks than there is to charge a discount from the face of money when it is received in payment of a debt. In short it has come to the country-wide belief with a few exceptions that checks should pass current at their

face value in the payment of debts in the same way that money passes. The Federal Reserve System has done much to bring about a country-wide system of par collections. The Federal Reserve has even gone so far as to permit banks, which decline to remit in exchange at par for checks drawn on them, to send to the Federal Reserve Bank money in payment of checks (drawn on them and presented by the Federal Reserve Bank) at the expense of the Federal Reserve Bank. No banker, therefore, can contend that he is put to an expense in paying checks drawn on his bank whether such payment be made at his counter or at any other place provided such checks are sent through Federal Reserve Banks for collection."

STATE LEGISLATES AGAINST PAR COLLECTION

"Recently the legislature of North Carolina passed a law which permits state banks in that jurisdiction to exercise the option of tendering in payment of checks presented to them either money or drafts drawn on their correspondents, and to charge exchange, or a service fee, when they tender a draft on a correspondent. The law also forbids any Notary Public in the state of North Carolina to protest any check drawn on a state bank in North Carolina when and if said bank declines to pay it in cash and tenders in lieu thereof what is known as exchange, or a check drawn on another bank, with an amount deducted to cover what is termed collection charges."

"Now that law and the condition which it thus creates brings forth another fundamental proposition which is this: A bank is bound to pay the checks of its depositors in cash or in current funds without a deduction from the face of said checks when presentation and demand for payment are made at the counter of the bank. This rule is so widely recognized and it has been the custom so long that it remains to be seen whether the courts at this late day will set it aside."

"In the meantime there seems to be a disposition on the part of many banks throughout the country to decline to take checks drawn upon the state banks in North Carolina which are parties to the injunction suit referred to, and it therefore becomes of interest to the wholesale and distributing houses throughout the country to know how to collect their bills against the merchants in that state."

"Remembering the first fundamental principle laid down, it seems to me that, as it is clearly the right of the seller to demand payment at his counter, it would be helpful, until the question has been finally decided by the court, if the wholesalers and distributors would ask their customers in North Carolina to go to their banks and buy drafts that can be collected at par to be used in paying for their purchases instead of sending their checks upon their local banks. If the local merchant replies that it will cost him money to buy a bank draft the answer is, 'The expense involved is one that should be settled by the parties to the trade.'"

"I believe the sentiment throughout the country, with the exception of a few localities, is strongly in favor of the continuance of the par collection system which is based upon the transfer of credits through the reservoirs of credit known as the Federal Reserve Banks and their branches located at convenient places throughout the country, and that business generally recognizes the great advantage of having checks pass current at their face value like money in the payment of debts."

Books, Pamphlets and Articles Read for the Credit Man

ACCEPTANCES, TRADE AND BANKERS.
Park Mathewson. D. Appleton & Co., N. Y.
372 Pages.

The trade acceptance is an interesting instrument. Though ancient, it is new to the present generation of American bankers and business men, having been introduced through the Federal Reserve Act. In the eyes of many it is the most interesting development of that great law. Many a pen was put to work to explain acceptance theory, procedure and practice. This resulted in a voluminous literature, which, however, did not comprehend the whole subject. The task of preparing a complete work seems to have awaited the pen of Mr. Mathewson, who brings to his writings the practical experience as well as thoroughness of one who is accustomed to see business both as an outsider and an insider. He lets his readers into the history of the Trade Acceptances, sketches the theory of the instrument, describes its contribution to commerce, launches into the practical question of how to install the trade acceptance in the wholesale business and how to record trade acceptances and check results from using them, and outlines its treatment in books on account. He devotes a chapter to the selling of the acceptance to the salesmen and customers, a chapter to methods of collecting and discounting acceptances through the banks, and tells how the acceptance tends to bring about a healthier condition of the wholesaler's accounts. He also presents an index to rulings and opinions of the Federal Reserve Board. While he had in mind in the writing of this book the business man in particular, yet it is for the banker as well, who may here get the business man's point of view.

ACCEPTING BANKER'S RELATION TO THE OPEN MARKET. Charles E. Spencer, Jr., Vice-President First National Bank of Boston. Acceptance Bulletin of the American Acceptance Council. (Publicity Committee: Maurice L. Farrell, Joseph A. Broderick, Edwin R. Kenzel, George E. Roberts; Mgr. Publicity Dept., Kirtland A. Wilson.) Jan., 1 p.

After tracing the history of bankers' acceptances since 1914, when the Federal Reserve Act virtually created this new branch of American banking, the writer says:

"During the past two years the number of banks, business houses, insurance companies, manufacturers and individuals that have become investors in bills, added to the list of bill dealers assures us that with continued effort the United States may be confidently expected to develop an ever-broadening market for acceptances. Success in this direction is predicated upon the recognition of the fact on the part of American acceptors that the growth of our acceptance market is not an automatic affair, but that those who wish to derive the benefits resulting from the granting of acceptance credits must also do their share in widening the circle of regular and substantial purchasers of bankers' acceptances. It is our absorbing power that will fix the measure of the growth of our acceptance business in world markets."

ARGUES IN FAVOR OF DISCOUNTING RETAILER. George Kirchhoff, Sec.-Treas., The Theo. Poehler Mercantile Co., Lawrence, Kan. Bulletin Natl. Wholesale Grocers' Assn. Jan. M. L. Toulme, Editor. 1 p.

The author considers the merits and demerits of various types of accounts from all standpoints and finally concludes that the retail grocer who discounts his bills is a very desirable customer with whom to do business.

In the same issue of the Bulletin, two California wholesalers also favor the retailer who discounts. They are J. J. Walsh, Credit Manager of Tillman & Bendel, Inc., San Francisco, and H. D. Whelan, Credit Manager of San Joaquin Grocer Company, Fresno. All three of the concerns who express themselves thus are members of the National Association of Credit Men.

BUILDING MATERIAL PRICES IN 1921. Willford I. King, Ph.D., of the Natl. Bureau of Economic Research. Reprint from "Architectural Record," Jan., 1921. The F. W. Dodge Company, N. Y., 12 pp.

Dr. King examines the probable course of building material prices of 1921 to 1922 from the present downward price movement. His conclusions run counter to those of some business men who believe that the Spring of 1921 will show great activity in the construction field. Dr. King believes that the chances are against great activity this year. Following are extracts from the article:

There seems little reason to believe that there is any tendency toward permanent deflation or that the downward price movement is to be long continued.

The indications are that the present decline is destined to continue for several months to come. . . . On the other hand, it is not probable that the decline in commodity prices will continue in the future with the same rapidity which has characterized the past few months.

In general, if the cycle holds true to its usual form, 1921 will be a year of relatively low prices, while during 1922 the price level will presumably be climbing upward again, and the crest of a new wave should be reached about 1923.

House building is likely to become relatively a more profitable industry than has been the case for the last few years.

Two forces tend to hinder the downward movement of building materials prices; first, the shortage of the supply of residences; and, second, the growing scarcity of timber.

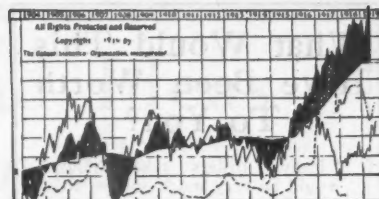
If no unusual circumstances arise, the prices of building materials should, like other prices in general, decline somewhat during the next few months and not ascend greatly before the end of 1921. It is possible that an active building campaign in 1921 may cause a rise early in that year, but the deadening influence of a business depression is so great that any large building program in 1921 seems hardly probable. The likelihood of 1922 being a year of active building is very much greater.

CREDIT DEPARTMENTS NOT EXPENSIVE. From financial page of N. Y. Evening Post, Jan. 10.

Credit losses of less than $\frac{1}{4}$ of 1 per cent. over a period of ten years is an achievement, but one firm has made that record by making a study of each individual customer, establishing a credit department, and rigorously requiring the sales department to work hand in hand with it. The time to assure a high percentage of collections is before the sale is made. Orders from new customers coming into the sales department should be turned over immediately to the credit department. Close analysis of individual purchasers, and where trade is going to wholesalers of their sales possibilities, is the surest guarantor of payments. Credit departments are not expensive, not nearly as expensive as credit losses.

[A FABLE OF CO-OPERATION.] Credit Men's Journal. Henry Detchon, Genl. Mgr. Canadian Credit Men's Trust Assn. Winnipeg. Dec., 1920.

A Lion used to prowl about a field in which Four Oxen used to dwell. Many a time he tried to attack them; but whenever he came near they turned their tails to one another, so that whichever way he approached them he was met by the horns of



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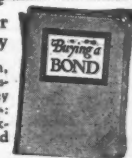
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one of them. At last, however, they fell a-quarreling among themselves, and each went off to pasture alone in a separate corner of the field. Then the lion attacked them one by one, and soon made an end of all four.

FINANCIAL ORGANIZATION OF SOCIETY. Harold G. Moulton. University of Chicago Press. 1921. 789 pp.

This is a survey and analysis of the financial organization of society. Beginning with the chapter on The Nature and Functions of a Pecuniary Unit, the book proceeds to deal with the use of money and credit in every form. By careful selection and intensive treatment, Professor Moulton has succeeded in putting within the bounds of one volume, in a readable form, material that ordinarily can be found only by reading through books on such different subjects as Banking and Currency, Business Finance, Foreign Trade, etc. The book is thoroughly up to date. For example, in its treatment of foreign trade and foreign exchange, it deals with foreign investment trusts and with depreciated European exchange.

The value of the book is increased by many illustrations, and by questions for discussion after each chapter. A student of business in its most practical aspects will find this book an invaluable source of information on the whole question of business organization.

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INTEGRITY AND PROSPERITY. From editorial in *Paint, Oil and Chemical Review*. O. McG. Howard, Editor. Chicago, Jan. 12.

Everything points to prosperity. We have a huge reserve of buying power in the savings of our people which have been invested in government bonds. We are not wasting our resources on drink and can save enormous sums or expend them for building needed homes or buying general merchandise. Our banking system is the best we have ever had. Taxes will be reduced, particularly business taxes, and this will stimulate business. Our country is rich in materials, men and products, and after a three months' hold-up is ready to go ahead as never before. The only "if" is the serious one mentioned above—the disregard of contracts which, unless checked by the general moral sense of the American business man, may delay the coming prosperity and plunge us into a season of troubled finance. We have done business on loose terms for too long, and we cannot go on that way without real danger. It is time to call a halt. The American business man is essentially honest, and now is the time to show it.

LEST WE FORGET. The Constitution of The United States. Mellon National Bank, Pittsburgh, Pa. 32 pp. 8 1/4 x 12 inches.

As an example of handsome, dignified printing, this large pamphlet containing the Constitution could hardly be surpassed. It is printed "within the shadow of Independence Hall by the Franklin Printing Co., Philadelphia, founded by Benjamin Franklin in 1728."

NURSING THE SICK ACCOUNT. Benjamin E. Cushing. (Asst. Sec., Cleveland Association of Credit Men.) Business, Feb. Lucien Kellogg, Editor. Burroughs Adding Machine Co., N. Y. 2 pp.

"Almost anybody can bury a dead one, but it takes a real credit doctor to resuscitate a sick business." Mr. Cushing

describes the four stages of a case of commercial influenza as follows:

First Stage—Fever (Overbuying)
Symptoms: Unusual orders in your own files; dead stock reported by salesmen; slow turnover revealed by customer's statement; frequent credit inquiries; too many first or increased orders shown on an interchange report.

Treatment: Reduce amount of orders; decline to allow lapping of past due items.

Second Stage—Chills (Slow Remittances)
Symptoms: Past due items; checks "on account;" post-dated checks; protested checks; notes; accounts placed with attorneys.

Treatment: Try a collection letter that embodies "pep" and tact. If necessary, repeat the dose, increasing the amount of "kick." Severe cases sometimes respond to the magnetic treatment of a personal call. Many cases need tonics, such as hints on advertising, window trims, display of merchandise, education of sales force, better collection methods, economies in operation.

Third Stage—Dementia (Peculiarity)

Symptoms: Old customers become unreasonable as their discomfort increases. They make unjust claims and excessive demands. The less able they are to pay, the more they insist that they are "good."

Treatment: Kindness is necessary, but also firmness. Do not permit deduction of excessive or unearned discounts, refusal to pay interest or unjust returns of merchandise.

Fourth Stage—Coma (No Response)

Symptoms: Customers won't send checks, won't answer letters or telegrams, won't give a promise to a salesman or collector.

Treatment: This stage demands consultation. The mere presence of a number of "physicians" will arouse some; assurance of sympathy and co-operation will revive others; threats will awaken still others, while a few will respond to nothing but a hypodermic of legal processes.

OLD PRIDE OF NATION TOUCHED. Mirrah ul Gharb (The Mirror of the West). New York, Feb. 19, 1921. N. Diah, Editor. 1 column.

The leading Syrian newspaper in the United States, published in that part of New York where many of our Syrian citizens live and ply their trades, and

edited by N. Diah, presents an outline of the Syrian cases described in the February CREDIT MONTHLY, and prints a strong editorial from which the following paragraphs have been translated by a Syrian for THE CREDIT MONTHLY.

"Three days from now there will stand before the Federal Court at Raleigh, N. C., fifty-eight Syrians to deny the dreaded indictment which burns the character, ruins the name and forever stands in memory, the indictment of fraud. On the 21st day of February will stand those that are indicted, not as merchants, not as individuals, but as Syrians, and their shame will be the shame of the whole nation they belong to. What would have hurt them if they avoided these dealings and saved themselves and their countrymen from these evils?

"It sorrows and pains us to see some of our countrymen evade the honest way preferring the teaching of the devil and write a chapter now and then in black lines in the history of the Syrians. Those who lose their names, honor and integrity, lose everything in life. It pains because it does fall not only on those who commit these low deeds but covers the immigrants as a whole. One example will be sufficient: If a man calls at a bank or at a factory and says he is a Syrian it would soon show on the faces of the officers of these corporations. They would look upon him as a criminal and swindler even though he be of the highest type or an angel just come from heaven and his commercial history as clean as a saint. In this way the innocent suffers for the wrongful acts and deeds of the guilty who ruins himself and his countrymen on the altar of dirty deeds. Woe to the man who prefers richness in robbery to honesty in poverty! As the thief that steals under cover of darkness is far bet-

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ter than the thief that comes as an honorable man and goes as thief. He is a low coward thief.

"Long ago the news began to leak out that a huge conspiracy was going on in North Carolina and we did not pay much attention to that then and hoped that it would not be so and did not believe it at the time. This will not hurt one, ten or fifteen but a large colony in the United States. This indictment of fifty-eight men burns them on their foreheads with its hot iron. Amongst them are men whose parents were elevated to the realms of honor, but are now insulted in their graves. Also there are fathers who should have been true honest men before their children. But their children must lower their heads in shame as they are the sons of an indicted swindler. Amongst them also ladies who should be merciful angels not condemned devils, roses not thorns. The evil tide that carried the husbands also carried in some cases the wives.

"It grieved us that this should have happened. We hope that in the morrow we can erase these dreadful deeds and the conviction of those that are guilty will be a reminder to those that might think of taking this crooked road. Pretty soon the American papers forget the names of these indicted people and forget that they were merchants, that they were women and men, and that they are human beings, but will always remember that they are Syrians."

[OUTLOOK FOR 1921.] Statement in Commerce Monthly by James S. Alexander, Pres., National Bank of Commerce in New York.

At the organization meeting of the Board of Directors of the National Bank of Commerce in New York, President Alexander, in reviewing the record of the bank for the year 1920, said: "The future does not hold an expectation of a return to the abnormal activity of the latter part of 1919 and the early months of 1920, and a return to those conditions would not be desirable. A large part of the profits of that period has been illusory, and a large part of the apparent business development has been unhealthy and out of proportion. Fortunately, results in banking promise, in the main, to be permanent in character. The year 1921 offers promise of a slow revival of business on a sound basis. Great progress has been made toward the correction of dangerous conditions which could not continue. The future will be beset with difficulties, but there is now a better foundation for true prosperity than has existed at any time since the outbreak of the war in Europe."

PRODUCERS BEGIN TO SHOW FIGHT ON RETURNED GOODS DEAL. Article in Printer's Ink, Mar. 3, 1921. 1,200 Wds.

"A few years ago the returned goods privilege was practically wide open in the better class of retail stores, both large and small. . . . Retailers, after allowing their own customers so many privileges, naturally thought they could take the same liberty with the concerns from which they, in turn, bought goods. Now the retailers are rapidly being relieved of the burden, but they still are returning goods themselves at the same old rate."

PROFIT IN LOSS. Edward H. Smith, Saturday Evening Post, Feb. 7. 13,000 words.

This gives in compact form a history of bankruptcy starting in 2250 B. C. and coming down through 1898 with the Federal Bankruptcy Act fathered by the National Association of Credit Men. The author gives eight specific examples of crooked failures of various kinds; all this information emanates from the Na-

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tional Association of Credit Men, and will be of great interest to the business community. Two of the cases have already been described in the Zephon articles in THE CREDIT MONTHLY. Some of the points made by the author are as follows:

Many creditors are themselves lawbreakers. They use their positions to the disadvantage of the other creditors.

Some creditors have been known to promote or incite bankruptcies among wobbly debtors. There are organized gangs in all parts of the country which promote and conduct fraudulent bankruptcies.

Unethical lawyers have been known to advise clients in methods of going bankrupt for profit.

Some organizations of unethical lawyers make a practice of looting bankrupt estates and robbing the creditors.

Officials such as receivers, referees and trustees have repeatedly looted bankrupt estates and grown rich at the game.

Corrupt politics sometimes plays a part in bankruptcy by passing out patronage to unfit henchmen.

THE PUBLIC AND INVESTMENTS. Wm. T. Mullally, Inc., Advertising, N. Y. and Boston. 22 pp.

For financial executives of business concerns and for bankers, this pamphlet, which is the fruit of an investigation into the public thought and feeling on the subject of investments, offers great interest. Not only those who are marketing securities, but those who must secure fresh capital for their own business, may find in this study some helpful suggestions.

REDUCING GOVERNMENTAL EXPENSE. Charles G. Dawes, (late Brig. Gen., A. E. F.), Pres., Central Trust Co. of Chicago. Current Affairs, Jan. 31. Creighton J. Hill, Editor. Boston Chamber of Commerce, Boston. 1 p.

The article contains a terse analysis of governmental expense principles, a caustic criticism of business methods of

the Government and a defense of Congress for its repeated attempts to protect the people against the extravagance of departmental administration. Gen. Dawes says: "If the business machinery of the Government is properly reorganized by the leadership and power of the President, whether Congress decides on larger or smaller appropriations, then, in either case, more will be accomplished with the money than under our present disorganized system."

[REVIVAL OF PROSPERITY.] From statement to Stockholders for the year 1920. Lewis E. Pierson, Chairman of Board, Irving National Bank, N. Y. 12 pp.

"Facing such further economic readjustments as may come, there is evidence that trade, industry, agriculture are emerging from their trials sound in fundamentals and with much of their wartime waste and extravagance stripped away. Liquidation has been disagreeably swift in many lines, but there is compensation in the fact that business will the sooner regain the essential balance between normal costs and prices which all will accept as reasonable and fair.

"American farms, mines and factories are equipped as never before for large-scale production. Their owners are intent on lowering costs, and their workers aware that prices and wages must be scaled down together. Transportation is again satisfactory. The accumulated savings and normal requirements of our people offer the basis of a broad home market. It is our conviction, therefore, that the country—with adequate aid to enable us to hold and develop our foreign outlets for surplus production—can look forward to a renewal of business and a revival of national prosperity."

Credit Men! These advertisers are buying space in YOUR magazine.

THE CREDIT MONTHLY

THE SIZE OF THE CREDIT MAN'S JOB. F. E. Kundel. From article in The Credit World, Jan., 1921. David J. Woodlock, Editor. 300 words.

"The development of business-building principles show the following factors as falling within the purview of the credit man:

(1) Business already in hand is the most direct and economical avenue of approach to more business.

(2) New avenues of business are reached by indirect publicity, such as enclosing circulars with statements and collection letters.

(3) The extension of credit and the collection of current accounts are not merely matters of routine.

"A laborious study of your present collection files will more than likely reveal the cause of much lost business in the past. The solicitation of new business from accounts long since charged to profit and loss is likely to bring many orders from people who are now in a prosperous condition. A diplomatic handling of old accounts often enables you to collect them and to build up new accounts on their foundations. Analyze your job, visualize your opportunities, and get the most out of your department."

THE STENOGRAPHER'S MANUAL. Edward Jones Kilduff. Harper & Bros. 166 pp.

This is a valuable reference book and guide for stenographers—experienced as well as inexperienced. It offers many helpful suggestions about the stenographer's daily routine and contains useful advice that she can readily appreciate. Correct and accepted forms of letter writing are shown; grammatical difficulties are explained; words frequently misspelled are correctly listed. The book accomplishes its purpose in making the stenographer appreciate how she can be of greater assistance to her employer.

SUGGESTIONS FOR FIRE PREVENTION. Compiled by the N. Y. Credit Men's Association. 12 pp.

"What to Do Before a Fire and What to Do After a Fire" is told in this booklet. It recommends that merchants for the protection of their business interests and that of their creditors should be fully insured against by fire, burglary, public liability, workmen's compensation, and every other form of Insurance applicable to their particular business interests. The fire Insurance Committee of the New York Credit Men's Association which prepared this convenient booklet consists of E. H. Philips, Chairman, Thos. A. Edison, Inc.; G. W. Maull, Vice-Chairman, M. C. D. Borden & Sons; W. Irving Conklin, Wm. Campbell Wall Paper Co.; Winslow A. Parker, Hunter Mfg. & Commission Co.; E. V. Evans, American Can Co.; J. A. Rose, Simon Zinn, Inc.; A. W. Haas, Norwich Pharmacal Co.; and George W. Will, George W. Will.

2,400 BUSINESS BOOKS AND GUIDE TO BUSINESS LITERATURE. Compiled by Linda H. Morley and Adelaide C. Knight under the direction of John Cotton Dana. The H. W. Wilson Company. 456 pp.

This is an invaluable book for use in business libraries and in trade associations. The comprehensiveness appears from the sub-captions: Under the main caption Advertising appear not only Automobiles, Banks, Furniture Trades and other standard trades, but Churches, Barbershops, Laundries, etc. Under the caption "Petroleum" there are listed all the trade and statistical journals that publish price and trade information on this commodity. A descriptive bibliography of this sort supplies a long-felt want.

8,000,000 NEW BUILDINGS FOR HOUSING PURPOSES ARE CALLED FOR IN THE YEAR 1921. C. E. Worthington, Wellesley Hills, Mass. Safety Engineering, January, 1921. Franklin Webster, Editor. 5 pp. illus.

This article is a strong argument for safe construction in the enormous number of new buildings called for, although it is dealing necessarily in unknown quantities. The writer describes some commonsense precautions that will reduce fire hazards. He says:

"Housing is expected to be provided during 1921 for about 5,000,000 families. That the new structures designed for single dwelling occupancies and small tenements for three families or fewer will call for about 3,000,000 buildings, with an average cost per house of \$4,000, or a total cost of \$12,000,000,000, is a conservative estimate. These new homes will suffer loss by fire to the probable extent of about \$18,000,000, of which fully one-third, or \$6,000,000, will be due to defective construction of chimneys or ignitions near chimneys or due to radiated heat from stoves or stove pipes.

"Six million dollars is a good bit of money from the viewpoint of the average citizen whose pro-rata share of the National wealth is about \$3,000. It would require a contribution of the pro-rata shares of 2,000 of them to make up the sum. It is 6 per cent. interest on \$100,000,000, and represents the entire yearly earnings of 3,000 well-to-do mechanics or tradesmen; and yet this is only the share of the great total annual fire waste that is to be allotted to one year's construction, due to one single group of nearly preventable causes!"

TRADE ASSOCIATIONS, THEIR ORGANIZATION AND MANAGEMENT. Emmet Hay Nayler, Secy.-Treas. of the Book, Paper, Cover Paper and Writing Paper Mfg. Associations. President, American Trade Association Executives. Ronald Press Co. 406 pp.

For men organizing or running a trade association this text-book should be of great value. It gives 33 blank forms for use in carrying on association work and supplies a list of 820 trade and commercial associations, with their addresses, and takes up the various problems that successful associations must solve.

YOU ARE YOUR OWN INSURANCE AGENT. Lester Herbert. From article in Trunks, Leather Goods and Umbrellas. Feb., 1921. 2 pp.

"A very real factor in business insurance for the present and the future, consists in a sane and logical readjustment of credits. Closer prices means closer wholesale and retail buying and selling. We can no longer afford to carry customers indefinitely on our books. Some business houses are even charging an 'open account fee' for a 'thirty-day accommodation,' on the grounds that the bookkeeping involved, the expense of collection and even the danger of loss, must be paid for by those who are served in this manner. Others are requiring settlement in ten days. This is not always possible in all localities but it is certain that interest should be charged on accounts which are overdue or else a higher price asked for the goods so charged. One group of merchants frankly tag their goods with two prices—a cash price, and a credit price, so that buyers may see at once the advantages and economy of the 'Pay-as-you-go' plan. Our own methods of payment have had of necessity to be made to conform to prompt payment and trade acceptance plans and so we must order our own affairs similarly or trouble will surely await us and that too, not far down the line."

National Bank of Commerce in New York

Disinterested Investment Service

Those actively engaged in the conduct of large affairs must necessarily devote a great deal of study to basic industrial and financial conditions. They often find it difficult to keep thoroughly informed regarding day to day features of many different classes of investments.

The National Bank of Commerce in New York through its Bond Department offers to its friends the benefit of extensive experience and close studies of investment values. It is equipped to handle this class of business for them efficiently in all domestic and foreign financial centers.

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The Retailer's Turnover

By E. W. Shepard

Genl. Credit Mgr., Western Electric Co.,
New York

THE subject of "Turnover" is generally considered in relation to the merchandise investment only. But credit men recognize that the principal working capital of the retail merchant is invested not only in merchandise, but in accounts receivable, and endeavor to determine the relationship of business done by a retailer during a given period, say a year, to working capital, as represented in investment in accounts receivable as well as merchandise stock.

What is the result we wish to obtain and what effect has the element of turnover on that result? The aim of all business concerns is to obtain the largest possible net return on the capital employed. There are really only three factors which affect net return, namely:

1. Gross Profit.
2. Expense.
3. Turnover.

It is usually recognized that gross profit added to the cost of merchandise should be large enough to cover all overhead expense incident to the business and should include a fair net profit. It is also recognized that

the expenses must be kept below gross profit in order to show a net profit. It is admitted, however, that there are many retailers who fail to appreciate the effect of turnover on the net return; and because of this fact net profits are often dissipated by slow-moving assets.

An analysis of financial statements from retailers who have become slow in making payments will in nearly every instance show that the assets are tied up in merchandise or accounts receivable, and often in both. This means that the retailer is either a poor buyer or a poor collector, or both, which but emphasizes the fact that he does not appreciate the effect of turnover.

In order to figure the turnover on working capital, it is only necessary to divide the annual sales by the average investment in merchandise and accounts receivable. The following example will bring out more positively the effect of turnover on the net return.

Assuming sales of \$120,000 per year, also an average investment of six months sales in merchandise and accounts receivable, and a net profit of \$6,000, the net return on the investment in comparison with an investment of four and two months sales in these two assets works out as follows:

	Investm't 6 months' sales	Investm't 4 months' sales	Investm't 2 months' sales
Merchandise	\$30,000	\$20,000	\$20,000
Accounts receiv.	30,000	20,000	20,000
	\$60,000	\$40,000	\$20,000
Turnovers	2	3	6
Net profits on sales	5%	5%	5%
Net return	10%	15%	30%

It will be noticed that by lowering the investment, or working capital, the turnover increases and the net return increases in the same ratio. Likewise raising the investment lowers the turnover and decreases the net return.

The inference should not be drawn from the above figures that increased net return means an increase in actual net profits. But it should be fair to assume that if a merchant has \$60,000 working capital with annual sales of \$120,000, he should, by doing a merchandising job comparable to the others, be able to expand his business from one-half to three times the volume, which would result in a large increase in net profits.

But how can we eliminate the receivables investment entirely without putting the business on a cash basis? The latter is what the chain stores have done and some of these stores are said to obtain a turnover every two weeks, or twenty-four turnovers a year. Operating on a small margin of profit, they are not only able to survive, but in most instances show a good net return.

TRADE ACCEPTANCES

There is, however, another way to eliminate the receivables investment and that is by the use of trade acceptances, assuming, of course, they are discounted upon receipt or whenever the volume warrants it.

In these days of aggressive competition, one must appreciate the importance of turnover, which means fast-moving stocks and prompt collections, or the transfer of the banking function to the banks by the use of trade acceptances.

Statistics show that the majority of our credit losses are due to incapacity. Experience also teaches that if a proper and prompt diagnosis is made in the case of the slow-pay customer, the remedy will be found and applied. Education of the retailer as to the advantages of turnover will prevent many failures, by enabling him to diagnose his own condition when not able to pay promptly.

Prevention is always better than salvage and our constructive efforts in educating the retailer along these lines should enable us to look forward to the time when we will consider it an indictment against our own ability and judgment if an honest customer fails to survive.

Credit Men! These advertisers are buying space in YOUR magazine.

N. I. C. Notes

Boston Chapter

THE Boston Chapter of the National Institute of Credit is now well into its second successful year. At the present time the membership is 100 per cent. larger than it was at this time last year and is still growing.

Many interesting phases of credit work have been covered in the meetings of the Chapter. J. Victor Day, assistant treasurer of Smith Patterson Co., talked on "The Ideal Credit Man"; Robert A. B. Cook of Phipps, Durgin and Cook spoke on the "Relation of Law to a Credit Man"; Henry A. Day of the American Credit Indemnity Co. explained "Credit Insurance."

Miss Gertrude Hatch of Carter's Ink Co., who had been re-elected to the office of secretary on condition that she serve only until January, resigned at the January meeting, and Miss Mollie Eilberg was elected as her successor.

Sidney E. Blandford of R. H. White Co., ex-president of the Retail Credit Men's National Association, gave a very instructive talk on "Retail Credits" at a meeting, and explained in detail how the retail credit man's viewpoint must of necessity differ from the wholesaler's. He emphasizes the fact that the fundamental principles of credit granting apply with equal force in retail and wholesale lines.

All the meetings have been well attended and with the membership continually increasing the Chapter is fast becoming a necessity to the junior or assistant credit man who is alive to its educational possibilities. N. I. C. work is sure to produce increased earning capacity and ultimate success in the profession of credit granting.

Correspondence Course

The following have completed the correspondence course in Credits and Collections of the N. I. C.:

Ellwood L. Brunner, Gulf Refining Company, Philadelphia, Pa. (Philadelphia local chapter.)

Osmond J. Condon, Chicago, Illinois. (Chicago local chapter.)

William Henry, The Corby Baking Co., Inc., Richmond, Va.

Ralph W. March, Norton Company, Worcester, Mass.

A. Plantinga, Leland-Gifford Company, Worcester, Mass.

J. E. Ruffin, Manufacturers Distributing Co., Memphis, Tennessee.

Warren E. Staples, Chicago, Illinois. (Chicago local chapter.)

Sixty-Seventh Congress
Faces Large Problems

By R. Preston Shealey

Our Washington Correspondent

AS forecast in the December issue of THE CREDIT MONTHLY, the last and short session of the Sixty-sixth Congress, while active and considering many important matters, was not productive of much important legislation other than the annual supply bills. Even two of them, the Army and Navy bills, fell by the wayside, owing to the fact that they met with opposition in the closing days of the session.

All bills having expired by limitation of law, must be introduced at the special session in April. Bills

Guardianship & Safety

IN the early days of The Chemical Bank—before the time of adequate vaults and efficient policing—it was the custom of the cashier to sleep in chambers directly above the banking room so that he might personally guard the funds of the bank's depositors night and day.

This same spirit of vigilant guardianship coupled with farsighted cooperation and modern banking methods is the cornerstone of this Bank's policy today.

We are seeking new business on our record.

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OF NEW YORK

introduced in the new special session, will not expire by limitation of law until March 4th, 1923; hence a situation will be presented in April, 1921, differing from that presented in December, 1920, in that those pushing any particular measure will have two years in which to get action as against the twelve weeks of the short session.

FINANCE AND CREDIT

Finance and credit will be much to the fore in the new Congress, since it is expected that the farmers will stress legislation along the line of rural credits, and the opponents of the present system of collection of checks at par are also expected to be active. The latter element did not make much of an impression in the previous Congress and may not be able to do much better in the coming Congress, but it is expected not to relax its efforts to secure an amendment of the present par collection section of the Federal Reserve Act. Several other amendments to the Federal Reserve Act will undoubtedly be considered, among them the McFadden bill abolishing the office of the Comptroller of the Currency and transferring its duties to the Federal Reserve Board. Chairman McFadden is expected to call in strong support for this bill

and it will not be surprising if he secures its enactment.

THE FARMERS

Not only will the farmers be behind the bill granting rural credits, but they will also urge for passage a cooperative marketing bill which passed both houses of Congress in the last session, but was still in conference at its conclusion. The Packers Bill, the Cold-Storage Bill, and the Mussel Shoals provision in the Sundry Civil appropriation bill, are also of considerable interest to the farmers; but it is expected that they will concentrate their efforts on cooperative marketing and rural credits, being keenly interested, of course, in the bills just mentioned and in a general way in the tariff and other legislative matters. The influence of the Secretary of the Treasury having been thrown behind the Budget Bill, this also is expected to be enacted into law and many of its friends believe that it will not only be an effective instrument in the way of eliminating extravagance in connection with expenditures but that it will also play an important part in coordinating the government activities and in the prevention of duplication and overlapping.

DANGER OF A SOLDIER BONUS

As was to be expected, the Sol-

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contains answers to questions about these new words and hundreds of thousands of other words. Where else is this information to be found?

Are you still uncertain, and do you have a feeling of embarrassment when called upon to use these new words, and to pronounce them? Why not class yourself with those who **KNOW**?

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diers' Bonus Bill did not get through the short session, but undoubtedly before the Sixty-seventh Congress adjourns *sine die* it will have been disposed of one way or the other, and the action of the Senate Finance Committee in reporting the Bonus Bill to the Senate with the cash bonus authorized in the bill but not providing for an appropriation, has undoubtedly increased the chances of this legislation getting through. The Soldiers' Bonus Bill is, however, so intimately connected with the finances of the country that it will undoubtedly be most thoroughly considered before final action is taken, as will the tariff bill also.

THE TARIFF

A member of the President's Cabinet at a recent luncheon summed up the situation of the United States in regard to the tariff so well that the writer repeats it here: "We are now a creditor nation and not a debtor nation, and in considering and framing tariff legislation, insofar as it is humanly possible to do so, we must so arrange our tariff measure as to assure a reasonable degree of prosperity to our debtors, and at the same time make sure that our own people will also be prosperous. That is a real job and it is safe to assume that the next Congress has on its hands some of the biggest problems that this country has ever had to consider."

Customs of Interchange

By T. B. Benjamin

THE National Association of Credit Men, since its inception twenty-five years ago, has been an arch-enemy of the "locked-ledger" policy in credit departments. It has believed that a free and mutual interchange of experiences between busi-

ness houses not only makes moral fibre and sustains the business conscience, but forms an integral and important factor in building up the credit structure by enabling a constant turnover of files and a subsequent facilitating of credit checking.

Although the progress made in the exchange of ledger experiences has led to the establishment all over the country of Credit Interchange Bureaus, yet the practice of exchanging random inquiries is still in wide use by credit departments. The National Association of Credit Men has provided for the purpose of such exchange a reciprocal trade inquiry blank for use in its membership. This blank enables interchange between credit departments to be carried on in an efficient and reciprocal manner, obviating the number of disputes and possible ill-feeling which would result from an un-uniform and indiscriminate method. In recent months, however, as a result of the present transitive period, changes in the status of merchants have been numerous and frequent; consequently credit departments have found it necessary to revise their files in order to have on hand up to date and authentic information on their present or prospective customers.

Such necessity has prompted a wide and general exchange of credit inquiries. Firms that previously made few inquiries are at the present time reverting to this manner of obtaining information, either through choice or necessity; numerous cases have reached the attention of the Association in which members have failed to follow the reciprocal policy, which is necessary for carrying on efficient and complete cooperation.

As the National Association of Credit Men regards credit cooperation as one of the most important components of the present day credit system, it is zealous in its efforts to protect such exchange from the abuses which are brought about largely through carelessness or neglect. Not long ago one company had inquired of a competitor for information, which was gladly given. This information happened to be not altogether favorable, and the recipient advised the customer of his indisposition to extend credit under the circumstances, and mentioned the name of the firm who had given the data upon which his judgment had been based. Such a situation as this was brought about entirely through thoughtlessness on the part of the inquirer, and indicated his lack of acquaintance with the customs of reciprocal interchange.

Several other incidents have been brought to light, where the inquirer



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If you haven't a Sperry telephone arm holding your desk phone—always in easy reach, always out of the way—you have not marked the highest point attainable in office efficiency. "It must be a Sperry to be the best."

Write today for the name of the nearest dealer. Address

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has failed to supply his own experiences with the account, or has supplied information which was not authentic. Such misuses of this institution of interchange tends to weaken its structure and to destroy the now well-established faith and cooperative spirit which has been built up between credit departments.

The following rules have been adopted by the appropriate committee of the National Association of Credit Men for governing and protecting credit cooperation:

For the inquiring department:

1. It must know that the making of the inquiry is necessary, for indiscriminate making of credit inquiries hurts the credit interchange system because it develops unnecessary labor. The inquirer, therefore, must be reasonably certain that the party inquired of has something to contribute which shall bear upon the risk in question.

2. The inquiry must be made on an order in hand or a ledger account. The making of inquiries on prospective customers when the inquirer explains or omits to explain that he has no order or experience but is merely endeavoring to size up the desirability of a buyer, leads to restless complaint against the interchange system.

3. The inquirer must accompany his inquiry with an accurate explanation of the reason for making it and also give his experience with the account. If the inquiry is made on a first order, he must so state with the amount of the order. The making of inquiries without

(Continued on page 50)

Credit Men! These advertisers are buying space in YOUR magazine.

A Readable Course in Economics

"And they have made the correspondence course in Economics **readable**," continued the Treasurer of the A. B. C. Company.

"Impossible!" exclaimed the Vice-President in charge of the credits of the X. Y. Z. Corporation. "Economics is a dismal science, and it can't be made readable."

"It may be impossible, but they have done it," persisted the Treasurer. "In the first place, the National Institute of Credit of the National Association of Credit Men has an Advisory Board composed of men who understand how to get their ideas over. On the Board for instance, is Tregoe, Secretary of the National Association of Credit Men, an economist and a born teacher—a man who has built up the Association into the great educational force that it is today.

"These men are not high-brows, cut off from active business, dealing with impractical, dry-as-dust theories. They are a group of live ones; they themselves are solving business problems every day. They know the necessity for study and the kind of stuff that a credit grantor needs and can absorb."

FOUND A READABLE WRITER

"Did they quit their jobs and write this course in Economics?" asked the Vice-President.

"They did better than that. They made a thorough search, with the assistance of Dr. Whyte, director of the National Institute of Credit, one of the widest awake young Ph.Ds I know, for the best man in the

United States to prepare the course. They found in the Economics Department of Columbia University exactly the man they were looking for—Associate Professor Eugene A. Agger, Ph.D. This Agger is not only widely known and respected as an economist, but —"

"Don't tell me you can understand what he writes!" the Vice-President cut in sarcastically.

"I can; and, what's more, I believe you can, which is saying a whole lot more!" replied the Treasurer with a grin.

"Then Agger put together a course that is a model of readableness and usefulness. I'm taking the course myself and I'm certainly getting a lot out of it.

"We use Clay's 'Economics for the General Reader' as a text book,—it is supplied to each student,—and with each lecture we get two or three reading assignments and problems."

"Does the National Institute of Credit mark your answers when you send them in?" asked the Vice-President.

THE PERSONAL TOUCH

"Yes, and they do it thoroughly: There seems to be a personal interest in each student. It is the same kind of interest they show in each man taking their 'Credits and Collections' course, which I finished last year."

"Well, I suppose it's a good thing, but I'm too darned busy to study Economics in these times."

"You are studying every day," said the Treasurer. "You study the statistics you buy, the bulletins of the banks, The Credit Monthly, the financial, labor, crop and commercial dope in the daily papers, you study the news from Washington, the reports of your branch office managers, your trade papers,

the letters from your creditors,—you're always studying.

"The only things you don't study are the fundamental principles of economics. And yet they underlie the whole mass of facts and currents and fears and hopes that you are dealing with. A knowledge of these principles pulls the whole seething mass together, coordinates and clarifies it."

REALLY BIG BUSINESS MEN

"Do you suppose for a minute the really big men in business get stampeded when there is a depression? Not much! They know beforehand just what the trend will be in certain given circumstances. They take the necessary steps. They don't get excited; they do the right thing, and do it early; and when the storm is over their companies and they themselves have usually profited rather than lost by what has happened."

"What does the National Institute of Credit charge for the Economics course?" asked the Vice-President.

"Oh, about one per cent. of what it is worth. Now you write and get the full information about the course. And remember, you're not paying dividends to anyone: The National Association of Credit Men is 'a corporation organized not for profit,'" concluded the Treasurer.

"Yes I know," said the Vice-President, taking out his fountain pen and reaching for The Credit Monthly containing a full-page coupon advertisement of the Course in Economics. As he filled out the coupon, his friend heard him murmur to himself,

"Heaven knows — the credit grantor—nowadays—needs all—the help—he—can—get!"

National Association of Credit Men,
41 Park Row, New York

Without obligation on my part, you may send me information on the N. I. C. Correspondence Course in Economics.

(Please print name).....

.....

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CMA

Customs of Interchange

(Continued from page 48)

the disclosure of the inquirer's exact experience has created in the minds of some credit men a disinclination to interchange with credit departments.

For the department receiving the inquiry:

1. Give exact experience, to fall short of which is to hurt the interchange system and direct a blow at a tremendously important institution in modern day business.

2. Place the duty of answering inquiries in responsible hands and not leave it to unqualified assistants who are indifferent to the importance of the system.

3. Inform the inquirer whenever he has failed to carry out his part under the interchange system, this being necessary to correct the faults and abuses which some through carelessness, others through blind obstinacy, have imposed upon interchange. Merely to ignore faults and abuses gets us nowhere.

The Association urges its members to bear in mind the grave and serious consequences which may accrue from unethical practices in the exchanging of credit information, and emphasizes the necessity for following these ethical principles in order to preserve permanently mutual confidence for mutual benefit, which has been built up only after patient education and untiring perseverance.

Chicago Convention Special

WITH characteristic energy and enthusiasm, the Chicago Association of Credit Men, through its Transportation Committee, is also planning a trip to the San Francisco Convention. The route it is suggesting is the reverse of that of the "presidential special" from New York. The start is over the Canadian Pacific and the return is as each individual may elect. It is not on the all-expense plan, each traveler paying for his meals, hotel accommodations, etc., as he journeys. The "special" will leave Chicago Friday, June 3, and the return date will depend on what stops each delegate elects to make on his journey back to Chicago.

"Gee! If I Could Make That Trip"

Seattle.—The board has offered as a prize to the member securing the largest number of new members between the first of October, 1920, and the first of May, 1921, the honor of being chosen as one of the delegates to the San Francisco National Convention. Reinstatements and collections of back dues together with the next six months dues to count as a new member. They also offered the same prize to the Captain having the largest total attendance of his team during the season from October 1st to May 1st. As one of the fellows said, "Of course I am always trying as hard as I can for the Association, but if I thought I could make that trip, Gee! I sure would work."

Positions and Help Wanted

Want advertisements, 55 cents per line

THE THREE C'S—A man of character, capacity and a capital of experience in the directing and selling of advertising is about to leave his present position. Address Advertisement 572.

CREDIT AND COLLECTION MANAGER—Fifteen years' experience with large corporation, selling to the building trades, desires connection with progressive enterprise, located in vicinity of New York, Philadelphia or extreme West. Address Advertisement 573.

OFFICE EXECUTIVE OR CREDIT MANAGER—Age 34, of proven ability, is seeking a new position owing to lack of future advancement. In sole charge of credits, collections and general office of firm doing a business of over \$1,000,000 a year. Broad experience in textile lines, good education, resourceful, and capable of assuming large responsibility. Wants an opportunity to work into something larger. Would not object to locate anywhere in the middle west. Excellent credentials as to character, ability and integrity. Salary \$5,000 to \$6,000. Address Advertisement 574.

WANTED—A credit and collection manager for branch office of one of the largest and most responsible pharmaceutical manufacturers. Must be a man of experience, special training in the pharmaceutical line, aggressive—a man with initiative and judgment, tempered with real backbone. We have an interesting and acceptable proposition for a man possessing ambition and ability to hold down a man's job in a big broad way. Address Advertisement 575.

ADDRESSES WANTED

Black, Walter, formerly in the produce business at Wilson, Okla.

Bliss, R. E., formerly of the Bliss Motor Co., 1844 O street, Lincoln, Nebraska. Is supposed to be somewhere in Florida.

Carstens, Fred J., carpenter, last known address 751 E. 75th street, Chicago, Ill.

Donle, H. P., electrical engineer, formerly with General Radio Company, 11 Winsor Street, Cambridge, Mass.

Fay, S. K., National Realty Co., Bloomington, Ill.; last known address 3634 Washington Ave., St. Louis, Mo.

Fryer, W. K., formerly in the auto business at Idaho Falls, Idaho.

Goldberg, Sigamund, formerly at 151 Allen St., New York City.

Goodwin, T. R., believed to be employed in dry goods business, Yuma, Arizona.

Hamilton, Dr. W. E., formerly located at Galatia, Ill.

Hammerschlag, A. J., formerly of the Gulf Coast Accessory Company, at San Benito, Texas. Last heard of in Detroit, Michigan.

Hostetter, Miss F. or Faye, formerly of Trinidad, Col., Denver, Col., and Davenport, Iowa.

Hostetter, H., Hickman Mills, Missouri. Hyatt, John B., formerly manager Hotel Blackstone, Providence, R. I. Believed to be following the hotel business in New York State.

Johnson, J. L., Hot Springs, N. C. Is believed to be in Georgia, Alabama or South Carolina.

Kenney, James J., formerly proprietor of Lumber Company, at Apponaug, R. I.

Kerschner, J. K., 130 West 4th Street, Long Beach, California, and later moved to 212 West 10th Street, Wilmington, Delaware.

Killian, Leonard R., formerly of Haskell, Oklahoma.

Larimore, Earl, last known address Falls City, Nebraska. Was formerly in the plumbing and heating business.

Liberty Paint & Varnish Co., formerly of 1832-1834 Laramie Ave., Chicago, Ill.

Lorenzen, Conrad, last known address was 375 Clinton Avenue, West Hoboken, N. J.

Luce, M. A., formerly in Eau Claire, Wis.; later resided at Oshkosh, Wis. Last address reported as general delivery, Chicago. Supposed to be acting as salesman for some New York concern.

McCoy, A. H., formerly in the drug business at Kerman, Cal., and later in business at Sunnyvale, Cal.

McInerney, C. W., formerly in the undertaking business at 501 W. Madison Street, Oak Park, Ill.

McLendon, E. A., trading as Variety Store, York, Ala.

Mooney, P. C., formerly operating the St. Louis Waterproofing Company in St. Louis, Mo.

New, Milton, formerly salesman at 12-16 West 27th Street, New York City. Last heard of in Montana.

Newill, G. W., formerly proprietor Black & Yellow Garage, Cavour, S. D. Later moved to Huron, S. D.

O'Donald, F. J., formerly with the Texas Midland Truck Company, at Midland, Cisco, or Dallas, Texas. Supposed to have gone to Chicago.

Popolax Bros., formerly in confectionery business at 235 Hastings Street, Detroit, Mich.

Ralph Jackson Vulc. Co., 117 W. 11th Street, Little Rock, Ark.

Rodman, John J., formerly at 67 Chamber Street, Boston, Mass.

Scott, H. N., Minneapolis, Minn.

Shapiro H. E., 74 John R. Street, Detroit, Mich.

Snow, Walter B., last known address, Chapple Street, New Haven, Conn.

Swayne, Wm., formerly proprietor of Modern Retreat Works at Phillipsburg, Mont., last known address Butte, Montana, 1729 Florence Ave.

Viola, J. Mariano Paso, Buenos Aires, Argentine Republic.

Webb, J. E., formerly located at 4327 Indiana Ave., Chicago, Ill., where he operated a tire business.

Weintraub, S., formerly doing business at 1312 Mack Ave., Detroit, Mich.

Zemaitis, K. K., 675 North Main Street, Montello, Mass.

The Old Days

Pittsburgh.—W. B. Stayer, secretary of the Retail Lumber Dealers' Association of Pennsylvania, speaking recently before Pittsburgh credit grantors, denounced the men who are obstructing the reconstruction process because they do not want to let go of the big profits of the days that have passed. He pleaded for the old days of honest goods and honest prices. Mr. Stayer declared that there is enough money lost or foolishly spent in most of our cities to solve our housing problems, and foolish spending is a thing which has delayed getting goods on a reasonable level of profit.

Thank You!

THE bulletin of the St. Louis Association of Credit Men says that "Almost every page of THE CREDIT MONTHLY has news, information—there is money, in fact, in it for you, because every time that you read something in THE CREDIT MONTHLY it means an increased knowledge of your own business, in turn money and increased knowledge of the business of your principal, and when you increase your principal's possibilities you increase your own possibilities."

"We suggest that THE CREDIT MONTHLY be read from cover to cover by every credit man in the St. Louis association."

Adjustment Bureaus

Directory of Bureaus Conducted by Local Associations of Credit Men

- CALIFORNIA, Los Angeles, F. C. De Lano, Mgr., Higgins Bldg.
 CALIFORNIA, San Diego, Carl O. Retaloff, Mgr., 573 Spreckles Bldg. Carl O. Retaloff, Chairman.
 *CALIFORNIA, San Francisco, Board of Trade of San Francisco.
 DISTRICT OF COLUMBIA, Washington, R. Preston Shealey, Sec'y and Mgr., 726 Colorado Bldg.
 FLORIDA, Jacksonville, A. J. Brown, Mgr., 905 Biabee Bldg. M. S. Pollak, Chairman, care Benedict Pollak Co.
 FLORIDA, Tampa, S. B. Owen, Mgr., 5 Roberts Bldg.
 GEORGIA, Atlanta, R. Y. Barrett, Mgr., 304 Chamber of Commerce Bldg. Robert E. Harvey, Chairman, Fourth National Bank Bldg.
 GEORGIA, Augusta, W. B. Oliver, Mgr., 6 Campbell Bldg. Milledge Murphy, Chairman, Care Murphy & Co.
 GEORGIA, Macon, A. F. McGhee, Mgr., Room 15, Jaques Bldg. A. F. McGhee, Chairman.
 IDAHO, Boise, D. J. A. Dirks, Mgr., Boise City National Bank Bldg. C. J. Northrup, Chairman, care Northrup Hardware Co.
 ILLINOIS, Chicago, M. C. Rasmussen, Mgr., 10 South La Salle St. D. J. Evans, Chairman, care National Lead Co., Illinois, Peoria.
 ILLINOIS, Springfield, Chamber of Commerce, Miss Edna Lennox, City Hall.
 INDIANA, Evansville, H. W. Voss, Mgr., Furniture Exchange Bldg. A. W. Hartig, Chairman, Care Hartig Plow Co.
 INDIANA, Muncie, Thomas E. Bracken, Mgr., Delaware County National Bank Bldg. K. A. Oesterle, Chairman, Delaware County National Bank.
 INDIANA, South Bend, L. M. Hammerschmidt, Mgr., 710 J. M. S. Bldg.
 IOWA, Cedar Rapids, J. J. Lenihan, Mgr., 504 Mullin Bldg.
 IOWA, Davenport, Isaac Petersberger, Mgr., Lane Bldg.
 IOWA, Des Moines, Don E. Neiman, Mgr., 421 Fleming Bldg. Raymond Hurst, Chairman, care Brown-Camp Hdw. Co.
 IOWA, Ottumwa, Wm. A. Hunt, Mgr., Phoenix Trust Bldg.
 IOWA, Sioux City, Peter Balkema, Mgr., 601 Trimble Bldg. H. C. Reed, Chairman, care Wm. Tackaberry Co.
 KANSAS, Wichita, M. E. Garrison, Mgr., Suite 1011 Beacon Bldg. John B. House, Chairman, care Lehmann Higginson Grocer Co.
 KENTUCKY, Lexington, John D. Allen, Mgr., 412 Fayette Bank Bldg.
 KENTUCKY, Louisville, Charles A. Fitzgerald, Mgr., 45 U. S. Trust Co. Bldg. P. B. Bethel, Chairman, care Falls City Clo. Co.
 LOUISIANA, New Orleans, T. J. Bartlett, Supt., 608 Canal Louisiana Bank Bldg. Geo. Grundman, Chairman, care Albert Mackle Co.
 MARYLAND, Baltimore, Ira L. Morningstar, Mgr., 100 Hopkins Place, H. W. Bennett, Chairman, care Rice & Hutchins Baltimore Co.
 MASSACHUSETTS, Boston, H. A. Whiting, Secretary, 77 Summer St.
 MASSACHUSETTS, Springfield, E. H. Cullen, Mgr., Room 2424, 31 Elm St. Marcus H. Smith, Chairman, care Sturtevant, Merick Co.
 MASSACHUSETTS, Worcester, Adjustment Bureau of Worcester Ass'n of Credit Men, E. H. Cullen, Commissioner, 518 Park Bldg. G. A. Streeter, Chairman, care Brewer & Co.
 MICHIGAN, Detroit, G. C. Montgomery, Mgr., 622 Farwell Bldg.
 MICHIGAN, Grand Rapids, Frank V. Blakely, Secretary and Manager, 302 Michigan Trust Bldg. F. E. Martin, Chairman, care Valley City Milling Co.
 MINNESOTA, Duluth, The Duluth Jobbers Credit Bureau, Inc., E. G. Robie, Mgr., 415 Lonedale Bldg.
 MINNESOTA, Minneapolis, The Northwestern Jobbers' Credit Bureau, W. A. Marin, Mgr., 241 Endicott Bldg., St. Paul.
 MINNESOTA, St. Paul, W. A. Marin, Mgr., 241 Endicott Bldg.
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 WISCONSIN, Oshkosh, Chas. D. Breon, Mgr., Room 2, 11 Algema St. Charles D. Breon, Chairman.

* Not controlled by but affiliated with San Francisco Association of Credit Men.

Nebraska Conference

Omaha.—The Fifth Nebraska State Conference was without question the best gathering of credit grantors ever held in the state. The average attendance was about 250, including a number of women credit grantors.

"A Study of Credit Correspondence," was the subject treated by H. F. Gilmore, Harpham Brothers Co., Lincoln. Secretary Tregoe of the National Association followed with a quiz, and it seemed as if every member had a word

to add on the topic. He also brought out the thought that "You must, for the next year, check a great many credits on character, rather than on capital."

The loss of "Thank You" in business dealings was forcibly brought out by Mr. Tregoe, and courtesy is certain to characterize Nebraska credit letters and dealings.

"A Study of Cooperation" was presented by G. P. Horne, Standard Oil Co., Omaha. He pointed out how specially important it is in this readjustment period to develop cooperation to

the full. Professor Russell Kilborne of the Department of Economics, University of Nebraska, presented a study of prices. "The Moral Risk" was a subject handled skilfully by E. J. McManis, McCord-Brady Co., Omaha.

The conference brought a note of optimism and cheerfulness, and recommended to credit grantors more intelligent handling of accounts and a bit more of human qualities in dealing with our customers.



The
**Original Loose Leaf Device
 for Machine or Hand
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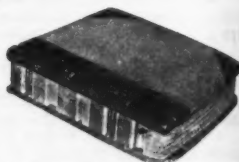
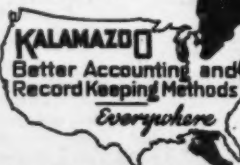
It actually aids the bookkeepers to do more work easily, accurately and with greater dispatch.

Providing a simple method of positive daily proof. Trial balance troubles are eliminated and correct statements are promptly mailed. And you have available at all times convenient, complete information for credit purposes.

A complete description of this system and of other modern record keeping appliances which bear the Kalamazoo trade mark will be of interest and value to you.

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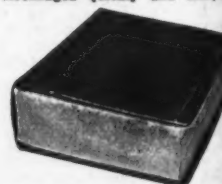
Kalamazoo Loose Leaf Binder Co.
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The Kalamazoo Style "C" Binder (also shown in large illustration) is specifically designed to gain every advantage of the loose leaf principle.



The Kalamazoo Current is a binder designed for the regular ledger, accounts receivable, stock records, etc. Sheets may be interchanged quickly and easily.



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1853



Cash Capital
\$6,000,000

CREDIT AND INSURANCE

The tie-up of credit with fire insurance is daily becoming more evident. Industrial property-owners realize that there is for them no credit without insurance protection.

The business man using to full advantage all the insurance facilities available for him is well on the way to the position of "best worthy of credit."

The Home of New York, the largest fire insurance company in America, has facilities for insuring that are unsurpassed in its lines.

THE HOME INSURANCE COMPANY NEW YORK

ELBRIDGE G. SNOW, President
56 Cedar Street New York

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STRENGTH

REPUTATION

SERVICE

Credit Men! These advertisers are buying space in YOUR magazine.

Glens Falls

One year ago business was beginning to descend from exalted prosperity to that stagnation which marked March and April last.

For many the path down was too steep and its dark windings too hard to follow. They had not the experience nor had they prepared for anything so strenuous and dangerous.

And this is equally true of insurance companies. Lack of experience, lack of foresight to prepare for the downward swing, which had to come to insurance in all its lines in sympathy with the business swing, have brought some of these companies to and beyond the danger point.

There is a science in providing sound insurance over a long term of years. The Glens Falls, through three generations of insurance writing, has been learning that science and is giving the American public the benefit of it.

"Old and Tried"

1849

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A National Magazine of Business Fundamentals

Published at 41 Park Row, New York,
by the National Association of Credit Men

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Rodman Gilder, Managing Editor

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Citizens National Bank Bldg.
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Mgr., 410 Union Bank Bldg.
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Jaques Bldg.
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Summer St.
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SAN ANTONIO, Texas: H. A. Hirschberg,
Mgr., Chamber of Commerce Bldg.
SAN FRANCISCO, Cal.: F. S. Jefferies,
Mgr., 605 Wells Fargo Bldg.
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Polison Bldg.
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Tacoma Bldg.
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Mgr., 31 McClain Bldg.

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Protection Plus



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Pacific Coast Dept.

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Canadian Dept.

W. E. Baldwin, *Manager*
17 St. John Street
MONTREAL

Credit Men! These advertisers are buying space in YOUR magazine.

Editorial Comment

The National Association at the White House

IT is a source of pride to the National Association of Credit Men that President Harding recently devoted his exclusive attention to a brief interview with National Secretary-Treasurer Tregoe and Messrs. R. G. Elliott and E. H. Jaynes, of the Federal Tax Committee. The hearty co-operation of the Association was pledged to the President in his work for the rehabilitation of the nation's commerce. It was recommended to the President that the subject of taxation be taken up before any other subject by the Sixty-eighth Congress. It was made clear also that the Association is on record as opposing the Sales Tax.

Taxing a No-Profit Business

ONE argument that the proponents of the general Sales Tax advance with conviction is that this tax will always be passed on to the consumer—as they say every tax is,—and that all that is needed to prevent it from being onerous to the ultimate consumer is to increase the exemption for small incomes. This solicitude for the ultimate consumer is all very well; no tax program stands a chance of adoption that does not show some solicitude for his rights and privileges, whether real or fancied. But as business men let us also have solicitude for our businesses. What if the Sales Tax cannot be passed on? The mere assertion that it can be passed on, does not pass it on. Suppose that a Sales Tax were in effect this year. There are in this country thousands of businesses, each doing over a million dollars' worth of business, that next year will pay little or no tax. Why? Because they can show little or no profit. What would happen to these concerns, if they were taxed one per cent. on their gross sales, if they were each required to pay ten thousand dollars and more for the privilege of doing business at no profit? Ah, but they would pass this ten thousand dollars on to the consumer, says the Sales Tax advocate. But by what strange mathematical sleight-of-hand can the seller pass this tax on to the consumer, when his selling price includes no profit to himself, no interest on his investment and possibly only a part of the cost of his labor and material?

Demand, and not tax, determines price. When demand is strong, prices are high and will include production costs, interest, profits and taxes; when demand is weak, prices are low and may or may not include production costs, interest, profits and taxes. The moral of this is both sound business and sound economics: Tax business, when prices include profits, but don't tax it when prices don't include profits. In other words, tax business according to income and ability to pay, and not according to gross sales which have no direct relation to ability to pay.

The Convention as a Tonic

NOTHING tends so materially to the exhaustion of men as a depression. Very much of the present day burden has fallen on the credit department. Upon the credit manager in banks and mercantile houses has rested the tremendous task of saving debtors from their mistakes and directing them toward profitable business. The strain of the situation has been tremendous.

Nothing will help so greatly and serve so well as a tonic in this exhaustion as the Convention we are planning for the city of San Francisco in June. It will prove a real investment for every enterprise that has its credit manager attend this convention, not alone for the relaxation and the wonderful things that may be seen in this progressive and beautiful city, but because, in getting together, the credit managers will find much to express to one another and will gather inspiration in the thought of co-operative action. The time and money involved will be infinitesimal when compared to the benefits that will undoubtedly come from this event.

May this message lead the business enterprises of our country to understand that good work can not be performed in exhaustion, but may be expected only when there is a vitality and energy and a willingness to meet every problem in hand. The San Francisco Convention will be a refreshing fount of energy and vitality for the credit grantor.

J. H. TREGOE,

Secretary-Treasurer National Association of Credit Men.

Commercial Savagery

A CREDIT Man reading an article by an explorer in darkest Africa might strike a paragraph like this: "a member of this small, remote and curious tribe was observed sitting in the fork of a lofty tree wearing a narrow twist of woven grass and devouring a raw fish which he had just captured in the shallow part of the river." The same interest would attach to this description as to a letter that was recently received by a member of the National Association of Credit Men who had written to a non-member in regard to a retail merchant who had just placed an initial order with the inquirer. The letter of the non-member declined all information on the retailer in this language: "We do not ask or answer any questions. We find out for ourselves, and you must do likewise."

Is it not fair to place the writer of such a letter in the same category with the black gentleman sitting in the fork of the tree in the African jungle?

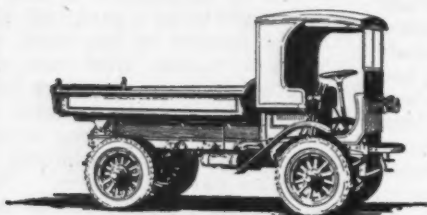
Help the Trustee!

WHENEVER you receive a request for information from a trustee in bankruptcy, furnish it to him immediately and assist him in any way you can with the case. Remember that the trustee in bankruptcy is the representative of the creditors, elected by them to administer the estate and protect their interests. It is his duty to gather together all the assets of the estate, to bring actions to set aside preferences, to pay dividends, and to do everything which may be necessary to work out a difficult situation and pay to the unfortunate creditors as large a percentage of their claims as possible. The task is difficult at best and indeed hopeless if he has not the co-operation of those who are primarily interested. Cooperation in bankruptcy cases will pay dividends.

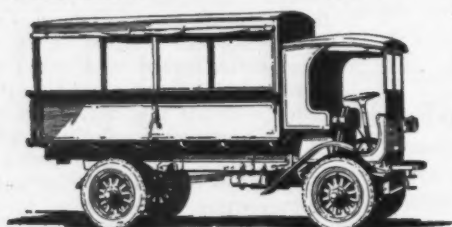
"Rattling and Knocking"

"RATTLING and knocking are generally caused by an appreciable degree of lost motion between members that should be in close relation." A credit man reading this sentence in an article by an automotive engineer sends it to THE CREDIT MONTHLY with the remark that it applies with equal force to the relations between units of the credit world especially in these days.

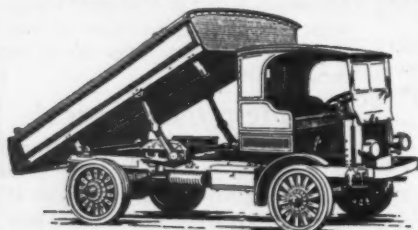
What the name "Autocar" means in commercial transportation



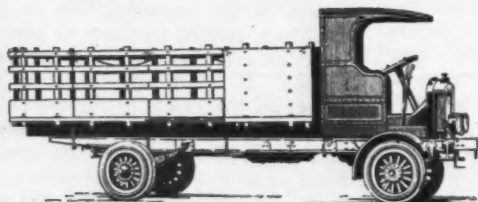
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"Autocar" stands for a nation-wide organization of direct factory branches established and maintained by The Autocar Company to assure to the Autocar users in each locality continuous and efficient motor truck operation.

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